

Government That Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

SEA GIRT BOARD OF EDUCATION

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AUGUST, 1999



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Sea Girt Board of Education

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making State Government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the State had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach, combining the expertise of professionals primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the State at no cost. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those State regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program tripling its number of teams, in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the Review Team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the Review Team, and agree to an open public presentation and discussion of the Review Team's findings and recommendations.

As part of each review, team members interview each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The Review Teams examine current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relative information. The Review Team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the Review Team received the full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness, on the part of most, to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality, but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
SEA GIRT BOARD OF EDUCATION**

1. Community Overview

This section provides a brief description of the community and its school.

2. Best Practices

LGBR cites eight areas of district activity that are especially praiseworthy.

3. Comparison Measures

Statistical data of school districts comparable to Sea Girt is provided as a basis for analysis and recommendations.

4. Organization and Administration

The report reviews recent attempts to consolidate small school districts. The review comments on the potential affects of these changes on Sea Girt.

5. Cash Management

The district's banking and investment practices are analyzed. Suggestions are made to gather greater return on investment. Periodic review and solicitation of banking services are recommended.

6. Financial Processes

The roles of administrators in the financial activities of the district are part of this discussion. The school's purchasing program is reviewed. The capital project program is discussed.

7. Property and Casualty Insurance

The report discusses the types of insurance coverage and how insurance is purchased and managed for the school. Costs and dividends are discussed.

8. Technology

LGBR reports that a school technology plan is in place. The school has made good progress in readying and equipping the building with appropriate technology. Community aid through the P.T.O. and a local firm have helped the school save money on technology.

9. Facility and Operations

This section provides a description of the school building, the land on which it is located, and a review of maintenance and custodial services. There is a discussion of energy costs and a recommendation for an energy audit.

10. Enterprise Fund

The report describes the lunch program at the school. LGBR recommends a cutback in the board of education milk subsidy.

11. Transportation

This section describes the extent of the transportation program with special reference to transportation out of district and the extent of interlocal services agreements.

12. Legal Fees

LGBR found charges to be reasonable and fees to be comparable to what other area districts pay.

13. Instruction

LGBR examined the school's curriculum, its sending-receiving relationships, and the revenues it receives.

14. Pupil Support

Athletics and extra curricular activities were reviewed as part of LGBR's visit. Student participation was found to be at a high level. Support from the Boosters club was a significant help in cost containment.

15. Personnel

The report contains a list of district staff. LGBR reviewed district negotiated agreements, recommending targets for future negotiations. Employee benefits are also discussed.

16. Special Education

The review describes the various services that the district provides, noting that speech correction is the major area of identified need. The financial impact of special education is noted. The arrangements for Child Study Team services as well as Sea Girt's Pupil Assistance Committee are discussed.

17. Special Programs

The report discusses the Basic Skills and several other special programs.

18. Board of Education Policies

LGBR found the policies to be complete and the format very easy to use thanks to a recent scanning of the old manual.

19. Shared Services

This section describes the seven areas in which Sea Girt is already involved in sharing services. LGBR recommends other possibilities for shared services.

20. Statutory and Regulatory Reform

A proposal to save time and money through unified state data collection is made in this section.

<u>Areas Involving Monetary Recommendations</u>	<u>Onetime Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
Investments				
Increased interest income		\$9,466		\$9,466
Graduation Fund				
Interest Income		\$300		\$300
Facilities - Operators				
Savings through energy audit		\$15,000		\$15,000
Office Supplies				
Change in photocopy paper contract		\$200		\$200
Enterprise Fund				
End board milk subsidy		\$2,000		\$2,000
Financial Operations				
Changes in payroll services		\$1,950		\$1,950
Office Supplies				
Purchasing through cooperative services		\$9,000		\$9,000
Health Services				
Traditional vs. managed care savings			\$7,700	\$7,700
Personnel				
Use state personal days			\$5,362	

Total Potential for Savings	\$37,916	\$13,062	\$5,362 \$37,916
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* 13,062 not included in savings of \$33,030.

Total Amount Raised for Municipal Tax	\$2,376,920
Savings as a % of School Tax	1.6%

Total Budget	\$2,639,696
Savings as a % of Budget	1.4%

Total State Aid	\$203,137
Savings as a % of State Aid	18.7%

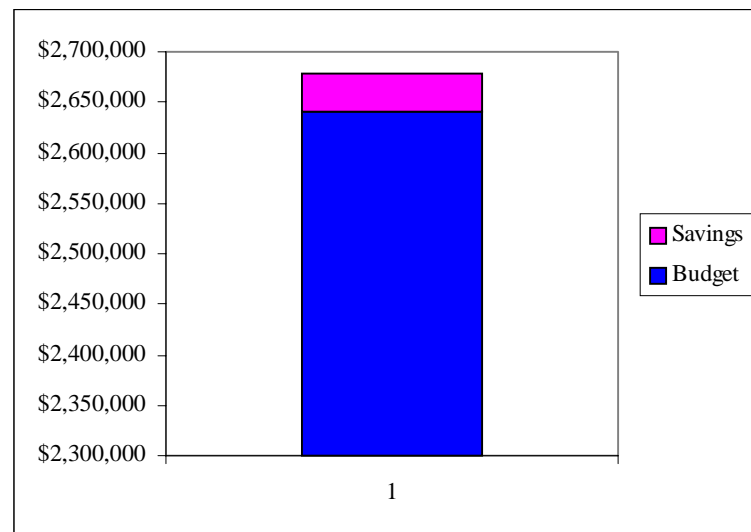
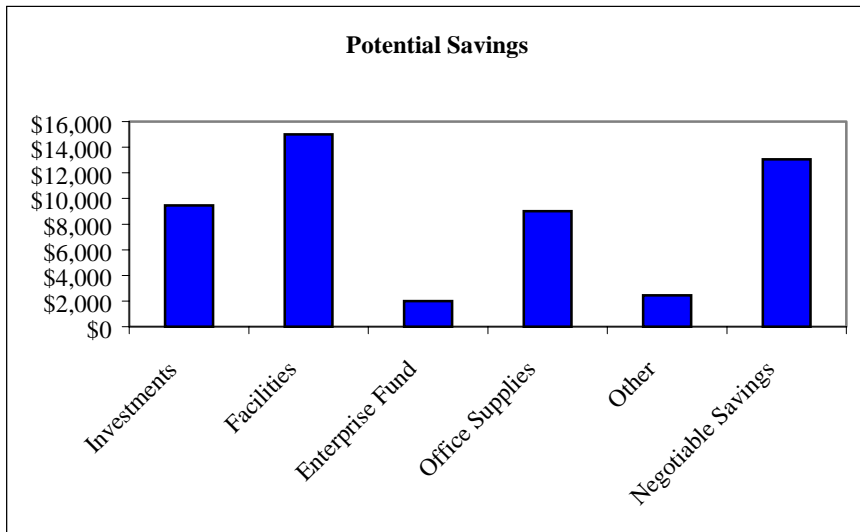


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COMMUNITY OVERVIEW

Sea Girt is a residential shore community located in southeastern Monmouth County. The one square mile borough is bounded on the west by Manasquan and Wall Township, on the south by Manasquan, on the north by Spring Lake and Spring Lake Heights, and on the east by the Atlantic Ocean. The southeastern part of the borough is taken up by the New Jersey National Guard training facility and the New Jersey State Police Academy. In 1994, the estimated population of Sea Girt was 2,050 residents.

The median value of a single family home according to the 1990 US Census was \$415,600. This was the 49th highest town in median house values in New Jersey. Ninety three percent of Sea Girt's real property valuation in 1991 came from residential properties. Only four percent of the valuation was from commercial properties.

Two-thirds of the civilian labor force described themselves in the most recent census as "managers and professionals, technicians, sales, and administrative support, and self-employed." The 1990 census depicted a racially homogeneous community of the 2,099 inhabitants: 2,092 were white, one was an American Indian, three were Asian/Pacific Islanders, and three were "other." Forty-three percent of the adult residents are college graduates.

The Sea Girt public school has 25 full-time employees and 30 part-time employees. District enrollment as of March, 1998 was 187 in grades K-8. There were 76 high school students who attended Manasquan High School in a sending-receiving relationship. Five students were sent outside the district for their education. This report focuses on students in grades K-8. The Sea Girt elementary school enrollment has increased by 35 students over the last four years.

The school curriculum is well organized and comprehensive. Test scores on standardized tests indicate a high level of achievement by students.

Sea Girt spent \$9,907 per student in 1996-97 for the current expense part of the budget. The state average was \$7,677. The 117 districts in the socio-economic category in which the state has included Sea Girt spent an average of \$8,179. The per-pupil expenditure for the entire state was \$7,677. Local taxes pay 97% of the budget in Sea Girt.

The Sea Girt school is a community center for the town—many recreational activities for children and adults occur in the school and on its grounds.

I. BEST PRACTICES

Computer Purchases

Computer equipment is purchased directly from the manufacturer. The district takes advantage of price breaks that occur mid-year due to new product offerings. In doing this, the district receives up to 12.5% discounts and saved an estimated \$1,600 during the 1996-97 school year.

Group Long Distance Rates

The district recently joined with 26 other school districts to purchase toll call and long distance service through the Monmouth-Ocean Educational Services Commission (MOESC). The Commission has entered into an agreement with a vendor to provide these services from April 1, 1998 to March 31, 1999. Based on FY '97 expenses, a 10% cost reduction is projected resulting in a \$500 annual savings.

Technology Training

Training initiatives have been arranged for administrative and office staff free of charge in cooperation with the Manasquan School District.

Authors' Corner

The school librarian has created an authors' corner in the school library. This unique location contains letters from children's authors and illustrators urging students to read, providing information about authoring and illustrating, and encouraging students to persevere in school. Often samples of art work or author's photos accompany the letters. This project has received a "Best Practices" award from the New Jersey State Department of Education. Efforts by dedicated staff members have assembled a fine motivational area for the students. Clearly, this is a labor of love and has obtained items for the children of Sea Girt that could not be purchased commercially.

Sea Girt Foundation

The district has established a Sea Girt School Foundation. This is a forward looking move that provides the district with a mechanism to receive private donations.

Public/Private Partnership

A cooperative relationship with a computer technology consulting firm has been established. This arrangement has resulted in the loan of essential equipment, free of charge, assistance in developing an excellent technology plan, and other no cost consulting services. The relationship appears likely to be on going and will serve the children, and save money for the taxpayers, for years to come. The equipment on loan has an estimated value of \$8,000.

Community Support

One advantage of a small, close-knit school district is the opportunity for parent and community involvement. Many of those with whom LGBR spoke regarding the Sea Girt school described

the situation as “familial” and welcomed the opportunity to participate in a variety of school projects.

The Parent Teacher Organization works hard to provide additional resources for the learning program. Its donations include: \$50 to each teacher for classroom improvements, computers, kindergarten blocks, one half the cost of the school sound system, a shape cutter, playground equipment, a video camera, and a 35 mm camera.

The Booster Club has donated new basketball and baseball scoreboards, team uniforms for baseball, basketball, softball, and cheerleaders, championship jackets, the sports awards pasta dinner, and an air pump. The scoreboards alone are worth \$7,000.

The P.T.O. and the Booster Club provide significant resources that permit district programs and student activities to continue without further burden on local tax payers.

Child Study Team Services

The Sea Girt Board of Education receives Child Study Team (CST) services from the Manasquan School District through an interlocal agreement. The CST is composed of a psychologist, a social worker, and a learning disabilities teacher consultant. According to the agreement, the team is required to spend one half day per week in the district. The CST serves the district’s elementary school students as well as those who continue on to Manasquan High School. Starting services with the elementary students provides a continuity of services.

The Sea Girt school district receives federal grant funding through the Individuals with Disabilities Education Act, Part B (IDEA-B). Basic Flow-Through Funds are jointly applied for with the Manasquan School District. Manasquan receives the funds directly and applies Sea Girt’s portion against its obligation contracted through the Child Study Team agreement.

II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found that the district makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Many of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective negotiations considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control, and revenue enhancement.

COMPARATIVE ANALYSES

Many of the recommendations are made based upon comparative analyses using Department of Education data in comparison with districts of similar size and demographics. Comparisons of this nature are valuable for the purposes of this report. The Department of Education does not intend these to be used by the district to gauge adequacy or efficiency. Other data sources are used such as various state agencies, state education associations, publications and private industry. School Districts used for comparison with Sea Girt include Spring Lake, Brielle and Avon K-8 districts in the state with enrollments between 1,801 and 3,500 students, (71 school districts). The following charts illustrate much of the data used:

Comparison of Revenues and Expenditures Based on Audit Report as of June 30, 1997

	<u>Sea Girt</u>		<u>Spring Lake</u>		<u>Brielle</u>		<u>Avon</u>	
Revenues								
Local Tax Levy	2,376,920	90.5%	3,281,789	86.1%	4,706,500	84.6%	1,445,245	83.7%
State Aid	203,137	7.7%	441,829	11.6%	558,874	10.0%	230,035	13.3%
Federal Aid	3,747	0.1%	33,563	0.9%	49,231	0.9%	17,967	1.0%
Other	42,048	1.6%	53,873	1.4%	250,305	4.5%	33,485	1.9%
Total Revenue (All Funds)	2,625,852		3,811,054		5,564,910		1,726,732	
Regular Program - Inst.	809,985	30.6%	902,664	26.4%	1,750,127	33.6%	600,293	32.4%
Special Education	72,944	2.8%	128,184	3.8%	276,124	5.3%	93,298	5.0%
Basic Skills-Remedial	20,780	0.8%	60,984	1.8%	4,278	0.1%	31,398	1.7%
Bilingual Education		0.0%		0.0%		0.0%		0.0%
Vocational Program		0.0%		0.0%		0.0%		0.0%
Sponsored Co-curr Activit.	2,770	0.1%	7,266	0.2%	43,896	0.8%	2,299	0.1%
Sponsored Athletics	16,370	0.6%	19,585	0.6%		0.0%	17,482	0.9%
Other Instruction Program	3,134	0.1%		0.0%		0.0%		0.0%
Community Services Prog.	550	0.0%		0.0%		0.0%		0.0%
Total Instructional Cost	926,533	34.9%	1,118,683	32.8%	2,074,425	39.8%	744,770	40.2%
Undistributed Exp. - Ins.	761,574	28.7%	1,089,356	31.9%	1,576,046	30.2%	297,042	16.0%
Total Instr. \$\$	926,533		1,118,683		2,074,425		744,770	
At Sea Girt Enroll.	926,533		797,697		852,178		1,344,872	
General Administration	86,305	3.3%	120,696	3.5%	179,893	3.5%	196,204	10.6%
School Administration	70,224	2.6%	97,994	2.9%	128,421	2.5%	38,155	2.1%
Total Administration Cost	156,529	5.9%	218,690	6.4%	308,314	5.9%	234,359	12.7%
Total Administration \$\$	156,529		218,690		308,314		234,359	
At Sea Girt Enroll.	156,529		155,941		126,656		423,195	
Food Service	2,000	0.1%		0.0%	25,355	0.5%	15,390	0.8%
Health Service	32,539	1.2%	36,037	1.1%	57,359	1.1%	40,094	2.2%
Attend.& Soc. Work Serv.		0.0%		0.0%	2,203	0.0%	6,169	0.3%
Other support Service	9,629	0.4%	47,479	1.4%	59,963	1.2%	25,457	1.4%
Other - Imp. of Inst. Sev.		0.0%	363	0.0%	31,087	0.6%	830	0.0%
Media Serv./Sch. Library	37,674	1.4%	43,792	1.3%	43,400	0.8%	3,110	0.2%
Operation of Plant	186,274	7.0%	205,242	6.0%	285,800	5.5%	93,386	5.0%
Business & Other Sup.Ser.	335,778	12.7%	362,118	10.6%	500,960	9.6%	169,497	9.2%
Total Support Services	603,894	22.8%	695,031	20.4%	1,006,127	19.3%	353,933	19.1%
Total Support \$\$	603,894		695,031		1,006,127		353,933	
At Sea Girt Enroll.	603,894		495,604		413,319		639,116	
Transportation	26,447	1.0%	169,671	5.0%	177,992	3.4%	101,497	5.5%
Capital Outlay	176,143	6.6%	118,991	3.5%	68,426	1.3%	120,140	6.5%
Special School	-	0.0%	3,120	0.1%		0.0%		0.0%
Total Gen. Fund Expend.	2,651,120		3,413,542		5,211,330		1,851,741	
# Students K-12	251		352		611		157	
T.Gen.Fund								
# Students K-8	173		263		436		139	
Per Student Rates								
Inst.Cost Per Student	5,356		4,254		4,758		5,358	
Admin. Cost Per Student	905		832		707		1,686	
Supp.Serv. Cost Per Student	3,491		2,643		2,308		2,546	
Total G.Fund Cost Per Stud.	10,562		9,698		8,529		11,795	
Source: School district's 1996-7 CAFR								

Source: School district's 1996-7 CAFR

School Data Comparison
Based on Audit Report and Report Cards
As of June 30, 1997

<u>Description</u>	<u>Sea Girt</u>	<u>Spring Lake</u>	<u>Brielle</u>	<u>Avon</u>
County	Monmouth	Monmouth	Monmouth	Monmouth
District Type	II	II	II	II
Grades	K-8	K-8	K-8	K-8
District Factor Group	I	I	GH	GH
Certified Employees	24	28	79	15.57
Other Employees	11	11	32	3.6
Total Employees	35	39	111	19.17
Square Miles	1	1.3	1.8	0.79
Number of Schools	1	1	1	1
Elementary	1	1	1	1
Middle				
High School				
Alternative School				
Total Schools	1	1	1	1
Student Enrollment (96-97) K-8	173	263	436	139
Teacher/Student Ratio	1:11	1:10	01:11.5	01:15.4
Elementary	na	na	na	na
Middle School	na	na	na	na
High School	na	na	na	na
Alternative School	na	na	na	na
Administrative Personnel				
Number of Administrators	1.2	2	3	2
Students per Administrator	144	231	436	139
Administrators/Faculty Ratio	13.3	12.5	12.4	7
Median Salary				
Faculty	55,787	33,750	51,484	40,935
Administrators	43,939	78,931	63,000	71,786
Median Years of Experience				
Faculty	17	9	19	17
Administrators	16	20	18	27
EWT				
Reading				
Level 1	87.5%	78.9%	88.6%	69.2%
Level 2	12.5%	21.2%	11.4%	30.8%
Level 3	0.0%	0.0%	0.0%	0.0%
Mathematics				
Level 1	81.3%	68.4%	68.2%	61.5%
Level 2	18.8%	26.3%	31.8%	30.8%
Level 3	0.0%	5.3%	0.0%	7.7%
Writing				
Level 1	100.00%	89%	98%	69%
Level 2	0.00%	11%	2%	23%
Level 3	0.00%	0%	0%	8%

ORGANIZATION AND ADMINISTRATION

School District Consolidation

For many years, how New Jersey school districts should be organized and how many should there be have been often asked but unanswered questions. Today, school consolidation, or regionalization, is held out as a potential financial boon in a small state with a lot of school districts. School choice and privately paid tuition are other concepts that would affect a district's organization as well as its finances.

According to the Governor's Property Tax Commission, New Jersey has 611 school districts, more than the combined total in Pennsylvania, Delaware, Maryland, and West Virginia. This number is, in large measure, a legacy of New Jersey's home rule tradition, a potent force in state politics. For many years scholars and politicians have tried to reduce the amount of districts in the name of reduced costs and greater efficiency. These efforts have failed time and again, primarily due to the tradition of local control.

Recent reorganization proposals have included a "school district consolidation" plan that would reduce the number of districts from 611 to 287 authored by Professor Ernest Reock for the Rutgers University Center for Government Studies. New Jersey school districts are, on average, among the smallest in the nation. Our state averages 1,800 students per district (Sea Girt had 268 pupils, including high school students, as of February 1998), the national average is 2,600+. Dr. Reock's plan, published in July, 1995, would have combined Sea Girt elementary school, along with several other shore K-8 districts, into a Manasquan Regional K-12 district of 3,397 students. The report projected annual savings of more than \$32 million, in 1990-91 dollars, in administrative costs statewide; it also projected \$200 million in overall savings. Reock however acknowledged that combining several communities' property ratables into one regional tax melting pot would be disadvantageous to "school districts which are very wealthy in relationship to their school responsibilities." These are usually small communities with large concentrations of taxable property, but very few school children, such as seashore resorts. Typically, these places do not join in regional school districts where they would be taxed in proportion to the value of their property. Instead they opt for the role of sending district, paying only on a per-pupil basis. Under the suggested consolidation plan, most of the small, very wealthy enclaves would be encompassed within some regional school district. This would have the effect of exposing their property to taxation for the support of the entire regional district."^①

An April, 1996 study, "Reducing the Number of New Jersey School Districts: Regionalization and Consolidation Options," published by the Public Affairs Institute in Princeton provides a summary of attempts to reduce the number of New Jersey school districts. The report discusses a variety of issues regarding regionalization:^②

Financial Disincentives: Wealthy communities that foot most of the education cost through local taxes, feel neither compulsion to give up control over what they have paid for, nor desire to expose themselves to additional costs as part of a regional district. Sea Girt has paid an average of 96% of its education costs through local tax revenue over the last three school years.

Governance Issues: Moving to a regional district means sharing decisions and giving up some control of school operations. Many people with whom LGBR spoke in Sea Girt expressed a fear of loss of control if they became a smaller partner in a K-12 regional district. Most accepted the situation of the Sea Girt representative on the Manasquan Board of Education- one member on a nine person board; however, these same people expressed strong opposition to diminished control at the elementary school level, which they felt would be the case in a K-12 regional school district. This is not uncommon. LGBR has previously reported strongest parental concern over control of neighborhood elementary schools.

Transportation: This area is sometimes held out as a potential major savings in regionalizing. This is not an option in Sea Girt, a 100% walking community, in which transportation is provided to only a few students who are schooled in other communities.

Comprehensive Curriculum: Proponents of regionalization point to increased curriculum offerings as an incentive to create larger districts. With few exceptions the elementary school offerings in Sea Girt are comparable to those of larger districts. Sea Girt sends its high school students to Manasquan High School in a sending-receiving relationship.

The cumbersome Nature of the Current Regionalization Process: Regionalization constitutes a major undertaking for all involved. The process consumes a large amount of time and money and requires a great deal of motivation. There does not appear to be that desire on the part of most people in Sea Girt with whom LGBR spoke.

In January, 1998 the New Jersey Regionalization Advisory Panel reported its findings and recommendations. Once again the panel acknowledged the power of the tradition of local control. The committee recommended that the state mount an informational campaign to detail the potential benefits of fewer school districts.

The panel also said that the state needed to make financial incentives much more attractive if the prospect of voluntary regionalization is to become a reality after so many years of ineffective effort.

The last attempt at voluntary regionalization by the state panel determined that legislation mandating regional arrangements for less than “ideal” sized districts into regional arrangements would be the only likely way to reduce the large number of school districts in the state. The state panel recommended the end of sending-receiving arrangements. Panel members also favored the expansion of shared services which allow districts to maintain local control while achieving increased efficiency and participating in some aspects of regionalization.^③

On September 16, 1998 the Governor’s Property Tax Commission issued its final report. The commission supported the recommendations of the New Jersey Regionalization Advisory Panel. The Tax Commission recommended changing the funding mechanism for regional school districts to eliminate cost inequities and permit equitable sharing of the benefits of regionalization. Further, the Commission emphasized the need to “. . . maintain and enhance local control of individual schools when districts regionalize.” Another recommendation was

that the state establish a program of financial assistance and incentives to encourage local school districts to consolidate, regionalize, and implement new joint services.④

Tuition Students

In the past few years there has been some discussion in Sea Girt regarding the possible admission of non-resident tuition students whose educational costs would be paid by their parents, not by the students' home districts. At this time there does not appear to be interest on the part of the district in developing such an arrangement. Among concerns expressed to LGBR by district officials were that any tuition students accepted would expect to be enrolled through the eighth grade. District commitments would also extend to acceptance of siblings of tuition students. It was felt that this would obligate the district for many years, restricting space that might be needed for additional Sea Girt resident students, whose numbers are forecast to grow based on the district's most recent demographic study.

Proponents of tuition students point to existing space in pupil capacity, the increased revenue that the additional students would bring, and the opportunity to share a top-flight education with out-of-district children. This is a matter that the board of education and the citizens will have to decide weighing the pluses and minuses of the issue.

In the opinion of the majority of the people with whom LGBR spoke, many things will have to be changed to make relinquishment of its present school arrangements fiscally and organizationally attractive to Sea Girt. With the debate about consolidation and regionalization in flux, the status quo seems to be the preferred mode to most.

A citizen tax payer group continues to seek economies by the board of education, including rearrangements in school organization and affiliation.

Recommendations:

LGBR urges the Sea Girt Board of Education to continue to monitor any changes in state regionalization laws. These include the Regional Efficiency Development Incentive Grant Program (REDI) and the Regional Efficiency Aid Program (REAP) that would provide resources to districts investigating regionalization and shared services. The board of education has developed a variety of shared services and other efficiency measures. We suggest that it continue to look for additional ways to effect economies, including working with the New Jersey State Department of Education in developing estimates of short and long term cost savings if the district were to participate in a regional school district.

The district may wish to work with the state department of education to develop a program of public information about the facts of regionalization, including advantages and benefits. A number of specific LGBR recommendations appear later in this report.

The Property Tax Commission recommendations do not require regionalization due to minimum district enrollment. The Commission strongly stated that education decisions are, and must remain, under local control.

PERSONNEL

Staffing

During the 1996-97 school year, the Sea Girt Board of Education employed a total of 71 staff consisting of 25 full time, 30 part time, and 16 substitute personnel. Employees who were full time included the superintendent/principal, board secretary, school secretary, teachers, custodians, and the school nurse. Part time employees consisted of the school business administrator, treasurer of school monies, lunch aides, speech therapist, augmented speech therapist, occupational therapist, physical therapist, and the school physician. Substitutes rounded out the remaining number of personnel hired over the course of the year. An organization chart outlining the district's current configuration is located at the end of this section.

Negotiated Agreements/Employee Contracts

The Sea Girt Board of Education currently has two collective negotiations agreements with the Sea Girt Education Association, one for the teaching faculty and the other for the custodial staff. The teachers' labor agreement is for a three-year period and expires on June 30, 1999, while the custodians' labor agreement is a two-year contract that ended on June 30, 1998. In March 1998, the Board of Education successfully negotiated and approved a one-year contract with the custodial staff to be effective July 1, 1998. By negotiating a one-year contract, the custodial staff will now be on the same renewal schedule as the teaching faculty.

Besides reviewing the two collective negotiations agreements, the team also reviewed the individual contracts of all non-union employees. This included the superintendent/principal, board secretary, school business administrator, and treasurer. The school secretary, however, does not have a written contract. The school secretary's salary is based on the recommendation of the superintendent, while direct benefits are dictated by the 12-month custodial agreement. Total compensation for the school secretary is reviewed on an annual basis and is subject to the consent and approval of the board of education.

Recommendation:

It is recommended that the Board of Education draw up a contract agreement with the school secretary similar to that which is already in place for the board secretary. Having an established contract agreement for the school secretary is not only good business practice and board policy; it also ensures the protection of each party's interests.

Over the last few years, the Board of Education has made significant strides in negotiating with the two collective negotiations units, particularly in its most recent negotiations with the custodians. Some of the most notable accomplishments included in next year's custodial contract are:

- **Article VI/Work Schedule** - negotiated the hourly rates for the payment of custodial services by outside organizations;
- **Article VII/Vacations** - decreased the number of paid vacation days to 10 days per year for all newly hired custodians;

- **Article VIII/Holidays** - reduced the number of paid holidays given to 5 days per year going forward for all newly hired custodians;
- **Article XII/Sick Leave** - agreed that custodians hired on or after January 1, 1998 and who retire from the Sea Girt School District after a minimum of 15 years of continuous service must immediately draw their pension benefit in order to be eligible to receive payment for their unused accumulated sick leave.

The LGBR team did identify, however, specific areas in the current contracts that the Board of Education should consider in the future.

Vacation: Article VII of the custodians' contract fails to address the carry over and/or the accumulation of vacation days. Reference is made to the fact that vacation time must be taken in the summer or during the school year vacation period. No policy is established regarding unused vacation days. Currently each of the two custodians is entitled to 15 vacation days per year.

Recommendation:

It is recommended that the Board of Education include, in its next contract negotiations with the custodians, specific language that addresses the carry over and/or accumulation of vacation days.

Temporary Leaves of Absence: Both the teachers' and the custodians' contracts contain a provision regarding personal days. Personal days are to be used for personal matters which require absence during school hours. The teachers and custodians also receive additional days they may use for visiting other schools, attending meetings or conferences, or in the event of the death of a family member, friend or relative. A breakdown of the days allowed is as follows:

Sea Girt School District Temporary Leaves of Absence

<u>Category</u>	<u>Teachers Contract</u>	<u>Custodians Contract</u>
Personal Days	4 days	5 days
Death of family member	4 days	4 days
Death of friend or other relative	none	1 day
Meetings and/or Conferences	<u>2 days*</u>	<u>4 days</u>
Totals	10 days	14 days

**exclusive of the 2 days granted for attendance at the NJEA conference*

Recommendation:

It is recommended that the Board of Education use state personnel guidelines for the number of personal days granted annually, which is three days for 12-month employees. Additional days are already being provided that more than sufficiently compensate employees for personal time needed during the course of the year. If the Board had allowed only three days per employee for the 1996-1997 school year, estimated savings using projected daily rates would have been \$5,362. (Daily rates are calculated using employee position cost divided by 185 days for teachers and 260 days for custodians.)

Cost Savings: \$5,362

Another provision contained in both the teachers' and custodians' contracts allows for the transfer of unused personal leave into an employee's accumulated sick leave. At the end of each school year, teachers and custodians can transfer one half of unused personal days to their accumulated sick leave accounts with exceptions involving unused fractions. Upon resignation or retirement, employees may cash in on their accumulated sick leave based on the number of years service and the designated payout rate stipulated in their respective contract.

During the 1996-1997 school year, 52 personal days were used by teachers and 3.5 days by custodians, with an average of 2.73 and 1.75 days respectively. This amounted to 11 days being transferred over by teachers and three days by custodians, based on the balance of unused personal leave for each employee and the application of the appropriate percentage rate for the transferring of time. In the future, this could prove to be a substantial number of days that the Board would have to pay out upon an employee's retirement.

Recommendation:

It is recommended that the Board of Education negotiate to eliminate the practice of rolling personal time into accumulated sick leave as a means of avoiding future costs. The board should require personal time be used in the year it is earned. Furthermore, the board of education should budget, or designate, sufficient funds to cover any payment for unused days of any type.

Payroll

The district outsources its payroll services to a private contractor that it has been using since the 1996-1997 school year. Prior to that, payroll services were handled by a computer center and affiliate with an area school district. Total expenses for payroll services in the 1996-1997 school year were \$3,884. Payroll services handled by the district's current provider include the following:

Payroll Rates and Additional Fees

<u>Category</u>	<u>Basic Rate or Additional Fee</u>
Base charge	\$25.00 per processing
Check charge	\$.70 per check
Labor cost	\$11.00 per pay
Tax service	\$6.00 per pay
Agency service	\$18.00 per pay
Quarterly reports	\$80.00 per quarter
W-2 forms and filings	\$40.00 base plus add'l. chgs.
Pension service	\$18.00 per pay plus add'l. chgs.
Wire transfer	\$10.25 per month
Delivery	\$11.00 per pay

Regular payroll currently consists of 34 employees plus substitutes. The payroll is processed monthly with split checks being payable on the fifteenth and the thirtieth of each month. The board secretary is responsible for payroll administration and serves as the liaison between the district and the service company. The school business administrator assists the board secretary with the payroll verification process. The school business administrator is also responsible for the transfer of funds from the general fund to the appropriate accounts after the payroll has been finalized and approved.

Once the payroll service company receives notification of approval, the checks are printed and hand delivered to the board secretary via courier. All payroll checks require the signature of both the board secretary and the treasurer before being distributed. The distribution of payroll checks is the responsibility of the board secretary.

Recommendation:

The team recognizes the Board of Education's efforts to decrease its costs for payroll services. We recommend that the board survey other payroll services on a biennial basis in order to ensure that it is receiving the best available price given the level of services required. This should include the payroll module that is offered as part of the Board's existing financial software package. In addition to surveying other potential payroll vendors, the district may want to consider the feasibility of shared payroll services with the municipality as a future option. By sharing payroll services, the Board could cut its costs by up to 50% and save at least \$1,942 per year based on 1996-1997 expenses.

Cost Savings: Up to \$1,942 Per Year

Benefits

The Sea Girt School District enrolled in the New Jersey State Health Benefits Plan (NJSHBP) for the 1996-1997 school year. Participation consisted of 21 employees enrolled in the program at a annual cost of \$108,046 or an average of \$5,145 per enrollee. The district was responsible for the full cost of health care coverage for all employees and their dependents. For the 1997-1998 school year, there were 22 employees in the NJSHBP program, with the choice of enrollment being either the traditional plan or NJ Plus.

Normally, traditional health care coverage is the most expensive, with Preferred Provider Organizations (PPOs) such as NJ Plus and Health Maintenance Organizations (HMOs) historically costing less. A breakdown of employee enrollment is as follows:

Sea Girt School District						
Health Benefits						
For School Year 1996-97						
<u>Group</u>	<u>Single</u>	<u>Husb/Wife</u>	<u>Parent/Child</u>	<u>Family</u>	<u>Total</u>	<u>Percentage</u>
<i>Traditional</i>	5	1		8	14	66%
<i>NJ Plus</i>	3	1		1	5	24%
<i>HMOs</i>		1		1	2	10%
Grand Total	8	3	0	10	21	100%

Sea Girt also provides dental coverage through Delta Dental as well as prescription coverage through Blue Cross/Blue Shield of New Jersey. The dental plan and the prescription plan had 21 participants each. Total costs were \$14,119 and \$16,325 respectively, with average costs of \$672 for dental and \$777 for prescription per employee. A breakdown of costs covered by the district were as follows:

- **Dental:** full employee coverage with 50% of the cost being provided for spouses.
- **Prescription:** full prescription coverage for employees, spouses, and dependents.

Recommendation:

The team recommends that the board of education implement a policy similar to the state's recent health benefits initiative in which employees who choose to select traditional care over managed care are required to pay the difference between the two rates. Based on district enrollment in traditional coverage for the 1996-1997 school year, the district could save approximately \$7,700 per year. (This estimate was calculated using 1997-1998 rates for Traditional, NJ Plus and HMO coverage and applying them to 1996-1997 enrollment data outlined above.) LGBR recognizes that any policy changes regarding health benefits will have to be negotiated.

Cost Savings: Approximately \$7,700 Per Year

FINANCIAL PROCESSES

Staffing and Functions

Business Administrator

During the LGBR visit the district employed a part-time business administrator, who had served in the district since March, 1996. Some of the business administrator's responsibilities, as described in the policy manual, are to maintain the purchasing, general ledger and fund accounting functions; assist with the budget preparation; administer the insurance/risk management program; assist with facility projections; provide fiscal grant management; and assist with policy development and updates. The "employee position value" for calendar year 1997 was \$12,500, which included the base salary compensation plus medical benefits.

After the LGBR concluded its visit, the Sea Girt Board of Education hired a full-time business administrator. Certain sections of the report will refer to a part-time business administrator, which was the situation that was in effect while the LGBR was on site.

Treasurer of School Moneys

The treasurer is a part-time employee, who has served in the district since November, 1996. She also serves as the business administrator and board secretary for a second school district as well as the treasurer for a third.

Some of the treasurer's responsibilities, as described in the policy manual, are to reconcile the current, net payroll, payroll agency, capital, and trust accounts; record all receipts and disbursements; sign all checks issued from the five cash accounts mentioned earlier, and to prepare the monthly Treasurer's Report for the school board. The "employee position value" for FY '97 was \$1,668.

Board Secretary

The board secretary is a full-time employee who has served in the district since March 1996.

Some of the board secretary's responsibilities as described in the policy manual are to: serve as the official purchasing agent; assist with the facilities operation; maintain the food services program; manage the student transportation program; maintain the petty cash and food service accounts, including the bank reconciliation process; and oversee the payroll preparation. The "employee position value" for FY '97 was \$34,932.

School Secretary

The school secretary has served in the district since March, 1984. Some of the responsibilities of the secretary, as described in the policy manual are to maintain the student activity account and graduation fund, including the bank reconciliation process; manage the district office filing system, student attendance registers, faculty attendance logs, and administer Band-Aids, ice packs and the like to the students, in the absence of the school nurse. The School Secretary also serves as receptionist for the school office. The "employee position value" for FY'97 was \$35,611.

Superintendent

The superintendent has served in the district since August, 1992. Some of the responsibilities of the superintendent, as described in the policy manual, are to: observe and evaluate faculty; prepare policy drafts; formulate and direct the development of district objectives; prepare the annual budget; and recommend textbooks and purchase of equipment. The "employee position value" for FY'97 was \$97,559.

Check Authorization and Separation of Duties

The treasurer has co-signing authority for checks disbursed from the current, net payroll, payroll agency, capital, and trust accounts. The superintendent is a co-signer for the food service and petty cash accounts. The board president co-signs checks from the current and capital accounts. However, the board secretary is the only person who has check signing authority for all seven

cash accounts. Moreover, the business administrator is the only one who has authority to initiate account transfers.

Automated Financial Package

The district has been using its current financial software package for four years. The business administrator is the principal user. The primary function of this system is to handle the district's fund accounting processes. The district is very pleased with the functionality and performance of the system, as well as with the service agreement.

Purchasing System

The district maintains a simple, efficient, and practical purchasing system with sufficient internal controls. The purchasing and bid soliciting procedures are clearly defined in the district's policy manual. In addition to defining the district's policies and procedures, the policy manual contains the bid threshold schedule and relevant circular letter. By providing this information to the staff and faculty, the district avoids, or at least reduces, confusion, redundancy, and costly mistakes.

The district prepares its purchase orders monthly. Most of them are for general office supplies. These constitute the smaller and less costly orders and are usually provided by a local vendor. The dealer is chosen according to the best combination of price, quality, selection, and service. However, some of these vendors are not under state contract.

The instructional program materials constitute the larger, more costly orders, and are purchased through vendors that primarily supply educational material. The faculty submits their purchase requests for supplies and materials that will be used the following school year to the superintendent during November and December. Instructional materials, furniture, and equipment are purchased under state contract.

There are very few exceptions or surprise orders because of the consistency in class size and faculty. It is rare that an emergency order arises. The purchasing process, from the initiation of the request to the mailing of the order, usually takes three days. Generally, the smaller and recurring supply orders are delivered within a week and the vendors are typically paid within one month of receiving the invoice.

Computer equipment is purchased directly from the manufacturer. The district is very satisfied with the company's products, service, and price. The district takes advantage of price breaks that occur mid-year due to new product offerings. In doing so, the district receives up to 12.5% discounts and, consequently, saved \$1,400 to \$1,600 in FY '97.

The district prepares approximately 400 purchase orders a year and the bill list is prepared monthly. An expenditure report is also generated for the superintendent and board president. Accounts are never over-expended because the district follows strict guidelines with respect to order processing and inventory control. Purchase requests are determined based on historical usage. Therefore, supplies and materials are not wasted or unnecessarily stockpiled. Photocopy paper is ordered more than once a year due to limited storage capacity.

Recommendation:

The district should consider initiating one photocopy paper order that will cover its annual consumption. The vendor can drop-ship the paper as needed or according to a schedule. By generating one bulk order for the year, more storage space would be available, fewer purchase orders would be processed, and a level payment plan could be adopted. Moreover the district would probably have a better opportunity to negotiate the price. A vendor is more inclined to negotiate a discount when they are the suppliers of choice for a specific period.

Assuming an additional 10% discount was taken based on the FY '97 cost of photocopy paper, the district would save \$100 to \$200 annually. Moreover, by locking in the quantity and price, the district will protect itself from market fluctuations that may affect supply and cost.

Recommendation:

While the district does utilize state contracts for general and teaching supplies, we suggest that it investigate interlocal agreements with other local entities to purchase general office and other supplies to take advantage of, possibly, even greater reduced prices through quantity purchasing. Also, the district should determine potential savings, often 30-50% below state contract, offered by the New Jersey Department of the Treasury's Office of Distribution and Support Services for office supplies and printing and stationery products.

Estimated Cost Savings: \$9,000 Annually

Cash Reconciliations

The treasurer reconciles the bank statements for the current, net payroll, payroll agency, capital, and trust accounts. However, she is not obligated to review the student activity account or the graduation fund, per Title 18A:17-34. Likewise, the treasurer is not responsible for reporting the monthly balances of these two student accounts even though the Comprehensive Annual Financial Report contains this information. Moreover, the treasurer is not responsible for the petty cash or food service accounts; the board secretary prepares those reconciliations.

Recommendation:

Transfer primary responsibility for all bank reconciliations to the treasurer. These include the student activity account, graduation fund, petty cash account, and the food service account. This change will ensure adequate separation of duties.

Surplus and CAP Waiver

The total General Fund Expenditures as of June 30, 1997 were \$2,651,120. The district also recorded an Unreserved Fund Balance of \$166,210. This included a Reserve Excess Budget Surplus of \$7,143, which will be applied to taxpayer relief in FY '99 in accordance with the Comprehensive Education Improvement and Financing Act (CEIFA), December 20, 1996.

Nonetheless, the school district maintained the allowable 6% surplus. Additionally, there were no waivers in FY '97 and none are expected for FY '98.

Capital Projects

The district plans to refurbish the gymnasium floor and replace the gymnasium lighting. The upgrade or replacement of the HVAC System is another capital project under consideration. The school building is heated entirely by electric power, which is generally perceived as a costly source of heat. There are alternative fuel sources such as gas, oil, or a combination of both, which may be viable alternatives. Thus far, an energy audit has not been performed. Such an audit would give the district valuable information regarding alternate energy sources and practical solutions to reducing and/or stabilizing utility costs.

There are no plans to initiate any of the aforementioned capital projects until the outstanding bond is retired. The initial \$572,000 bond was issued on December 19, 1995, and authorized December 1, 1995. It was issued to effect roofing, fire alarm and electrical system upgrades. The semi-annual payments started in 1996 and are made on January 15 and July 15, with an interest rate of 4.3%. The final payment on the bond is due on July 15, 2001. Unless the district decides to capitalize another project and issue another bond, the capital account will be closed once the current bond is retired.

Telephone Usage

The faculty and staff use the two pay phones in the building for personal calls. The employees appear to be very conscientious about phone usage and abide by the district's policy. Hence, there is no reimbursement to the district for personal calls. Telephone expenses have decreased from \$6,232 to \$4,814 in FY'97, a 23% reduction in costs.

Long Distance Service

The district recently joined with 26 other school districts to purchase toll and long distance call service through the Monmouth-Ocean Educational Services Commission (MOESC). The MOESC has entered into an agreement with the Teleport Communications Group (TCG) for the provision of these services from April 1, 1998 to March 31, 1999. To date, savings have not been predicted. Using FY '97 expenses as a comparison, a 10% cost reduction would result in \$500 annual savings.

Travel Expenses

According to Title 18A: 12-4, "a member of a board of education shall receive no compensation for his services". Sea Girt board members are entitled to reimbursement for attending school-related conferences and training programs. However, the board of education members have elected to bear the entire cost of these expenses and do not ask for travel reimbursement. The faculty and staff may attend work-related conferences and workshops but these trips must first be approved by the superintendent. The only reimbursement is for mileage, and that is at \$0.31 a mile. The FY '97 expenditures were \$335 and were in line with previous years.

Chart of Accounts and File Storage

The New Jersey State Department of Education is responsible for updating the Chart of Accounts and forwarding the changes to the school districts. The accounting records in the school district were found to be up-to-date and very well maintained. Likewise, the business and board office files are maintained in meticulous order by the board secretary. The files are stored in locked cabinets and access is limited to the office staff.

Auditor Comments

According to the FY '97 Comprehensive Annual Financial Report, "there were no instances of noncompliance that are required to be reported." Additionally, there were "no matters involving the internal control over financial reporting and its operation that were considered to be material weaknesses."

Training Initiatives

In the past, word processing courses have been taken free-of-charge, by the administrative and office staff at the Manasquan High School. These were evening classes and there was no compensation given or expected. The district plans to provide spreadsheet training as well as System 3000 training but the location has not been determined. These training courses, as well as others, will be extended to the office staff accordingly.

Presently, the board of education does not have a budgetary practice that sets aside funds for staff training, although it supports and encourages this initiative. Seminars, conferences, and workshops provide opportunities for the office staff, administrators, and board members to complement and enhance their skills. This can reap many benefits for the district in terms of adopting new ways to control spending, enhance revenues, increase efficiency, and provide continued quality service to its clientele.

Recommendation:

The LGBR suggests that the Sea Girt Board of Education budget \$3,000 to \$5,000 next year for staff training. This would be offered to the faculty and office staff on an as-needed basis with initial approval from the superintendent. The training request would ultimately require the board's approval. The Board of Education should evaluate the success of this initiative in subsequent years, prior to budget preparation, to determine if the program should be continued.

CASH MANAGEMENT SYSTEM

Functions

The cash management functions are handled primarily by the business administrator. While LGBR was in the district, the business administrator was not involved on a day-to-day basis with the process, and the administrator is privy to the nuances of the cash management system. The superintendent is involved in the process regarding procedural changes, investment strategies, and banking service arrangements.

The district has maintained its funds with the same bank for several years and uses the branch manager as its primary bank representative. Generally, the district is pleased with the service and convenience of this institution. The district does not deal with any other banking or investment firms.

Banking Relationship

Traditionally a written agreement is drawn up between the local entity and its chosen bank prior to the inception of services. This document illustrates the various services and related fees that the bank will provide to the customer. The Sea Girt school district does not have such an agreement. Instead, its bank notifies the district of price changes via the monthly account analysis statement. No pricing schedule is provided unless the district specifically requests it.

The government banking division representative does not routinely meet with the district. However, the bank's representatives are available as needed. The business administrator, treasurer, and board secretary have an open line of communication with the bank. The board secretary is the primary liaison between the district and its bank.

Cash Management Plan

The district adopted Resolution 97-159 on April 21, 1997, in accordance with N.J.S.A. 40A:5-15.1 and Title 18A:20-37. The document names a bank as its designated depository for the Board of Education funds. The resolution contains an attachment titled, "Permissible Investments and Deposits for New Jersey Counties, Municipalities, Authorities, and School Districts," that describes the terms and conditions that bind a local government to specific banking practices.

The cash management plan specifies the designated official depositories, scheduled deposit of funds, definition of allowable investment instruments, definition of acceptable collateral and protection of borough assets, compensating balance agreements, reporting procedures, diversification requirements, maximum maturity policy, investment procedures, return on investment policy, internal controls, bonding coverage, and compliance issues.

General Operating Cash Accounts

The district maintains seven checking accounts used for general operating purposes: current, payroll, payroll agency, trust, food service, petty cash and capital. The net available balances for FY '97 ranged from \$693,000 to \$1,259,000.

The capital account typically maintains the highest individual balance since it is the depository for the funds needed to cover the current bond indebtedness. At year-end FY '97, the "net available balance" was \$693,019, with net interest earnings of \$39,445.

Account Analysis Process

District operating accounts are maintained under an "account analysis." The account analysis method used by the bank and the account analysis statement fail to illustrate pertinent fiscal information such as ledger balance, float, and reserve requirement. Likewise, the only "gross interest" is shown on the statement. The net interest that is credited to the account is illustrated

on the subsequent “current account” bank statement. This statement is, at best, confusing and lacks relevant information.

Recommendations:

LGBR recommends that the district request that the district's bank prepare a modified account analysis that is conventional in format and details.

It is recommended that the district review its account analysis statement monthly, in order to determine if account balances are in line with the district's cash needs. In this way, adjustments can be made immediately and cash flows updated accordingly. In addition, the review should include the identification and analysis of any change in service fees, since the account analysis statement is the only document that provides this information to the district.

Cash Account Analysis

An analysis of the available cash-in bank and year-to-date earnings illustrates that the Sea Girt Board of Education earned a competitive interest rate on its fund balances. The review team compared the actual interest paid by the district's bank to the estimated potential earnings from the New Jersey Cash Management Fund (NJCMF) and from a 91-Day T-Bill. The 1996 interest earnings recorded were \$38,026, \$39,718, and \$39,658, respectively.

Mindful that a cash account, for practical reasons, can never be reduced to a zero balance, the NJCMF and 91-Day T-Bill will always record a higher yield. However, the comparable interest earnings are extremely close. The review team concludes that the district has successfully maximized interest earnings.

Student Activity Account

As of June 30, 1997, student activity funds were on deposit at a local savings bank in a non-interest bearing account. The school secretary is responsible for the account, that is, making deposits, initiating checks and reconciling the monthly bank statement. In FY '97, there were two deposits and fourteen disbursements initiated from the fund; the beginning and ending balances were \$828.

The bulk of deposits are donated by the Parent Teacher Organization (P.T.O.). These funds help support various student activities, such as, athletic events, educational presentations and entertainment.

Recommendations:

Convert the student activity account to an interest-bearing account. Assuming the same monthly ending balances as those recorded in FY '97, and an interest rate equal to that posted by either the 91-Day T-Bill or the New Jersey Cash Management Fund, in this time period, this account would earn approximately \$83 interest annually.

LGBR does not suggest that the funds in this account be used to purchase a T-Bill nor be deposited with the Cash Management Fund. These investment vehicles merely illustrate examples of competitive rates offered.

Transfer the student activity account into the same bank as the general operating accounts. This would allow for all of the district's cash accounts to be under the account analysis, which would most likely provide a few more dollars of interest earnings. These simple, no-cost process changes would reduce the administrative overhead at the school, enhance internal controls, and provide a consolidated picture of the cash accounts.

Graduation Fund

The initial graduation fund deposit is made by the P.T.O. for each kindergarten class. The funds remain with that class until graduation. The students begin their own fund raising in the seventh grade and any moneys generated are deposited into their class' graduation fund. Ultimately, the moneys are used to help defray the costs of graduation activities, such as the class trip to Washington D. C. and a graduation dance.

The school secretary is responsible for the graduation fund, that is, for making deposits, initiating checks and reconciling the monthly bank statement. In FY '97, two deposits and thirty disbursements initiated from the fund. During FY'97 the funds were on deposit in a local savings bank where they earned 2% interest resulting in \$179 earnings.

Recommendation:

Convert the graduation fund to an interest-bearing account that offers a more competitive rate. Assuming the same monthly ending balances as those recorded in FY '97, and an interest rate equal to that posted by either the 91-Day T-Bill or the New Jersey Cash Management Fund, the district would gain approximately \$300 in additional interest earnings.

LGBR does not suggest that the funds in this account be used to purchase a T-Bill nor be deposited with the Cash Management Fund. They merely illustrate examples of competitive rates offered by commercial banks and available to the district.

Recommendation:

Transfer the account into the same bank as the general operating accounts. This would allow for all of the district's cash accounts to be under the account analysis which would most likely earn a few more dollars of interest earnings. The benefits of such an arrangement have been cited above.

Cash Flow

The daily cash flow and account balances are monitored by the business administrator and the treasurer, who report them to the superintendent. Although the district does not perform a formal cash flow projection, the district administrators monitor and control its flow of funds so that over-expenditures, idle funds and negative account balances do not occur.

In addition, they monitor to ensure that only active and necessary accounts remain open. This helps to minimize the administrative overhead of maintaining these accounts.

Recommendation:

It is recommended that the district prepare and maintain a cash flow projection on a monthly or quarterly basis for its major accounts. These would be up-to-date and helpful companions to a long-term (one-year minimum) cash flow projection on or about the time the budget is adopted. This is a good time to forecast the district's future cash position.

Investment Instruments and Interest Earnings

Commercial banks typically pay prime rate less 3.5%. According to the prime rate at the time of this report, it would be 5.00%. The district's designated bank, however, offers the T-Bill rate, computed against each day's "net average available balance". Typically, this would result in higher earnings, but it is predicated on the method the bank uses to compute the net interest earnings. We cannot estimate what the earnings would be if the traditional method was used, since the earnings are computed daily. Nonetheless, the client should be aware of the method that a bank uses to compute the interest earnings. It is not always the higher interest rate that results in the best earnings.

The district places its excess funds in an investment account in a local bank. Sea Girt chooses this route largely because this bank offers a competitive rate on its overnight deposits. The interest earning rates credited to the school district by its bank from July, 1996 to June, 1997 (FY '97), ranged from 4.77% to 5.17%. The net earnings for this period were \$39,455.

In comparison, the 91-Day T-Bill rate ranged from 5.05% to 5.17%. At these rates, net potential earnings for FY'97 would have been approximately \$8,500 more than was paid by the district's bank. Likewise, the NJCMF rate ranged from 5.19% to 5.42%, with net potential earnings of approximately \$9,600 more than was actually earned. Arguably, these earnings cannot be realized because the "net average available balance" would have to remain untouched in the new investment vehicle long enough to cover the cost of transferring the funds back and forth.

Recommendation:

Explore investment strategies, pursuant to applicable law and regulation in order to enhance interest earnings. Using the 91-Day T-Bill and the NJCMF rates as the basis for comparison would yield an additional net potential earnings of approximately \$8,500 and \$9,600, respectively. Given that these estimates are based on the best of circumstances, it should be noted that if only half of these earnings were achieved, the district would still have realized a revenue enhancement of \$4,250 to \$4,500 in FY'97.

Banking Services and Products

The district is satisfied with the level of services it currently receives, but does not utilize automated on-line products such as account reconciliation, interactive funds transfer, automated

clearing house payments, balance reporting, and direct deposit. The district plans to discuss this issue with the bank's representatives before the start of the 1998-99 school year.

Recommendation:

Meet with the government banking representative and the branch manager, at least at year-end, to discuss the coming business year's products, services, service fees, and interest earnings.

Competitive Bidding

The district does not routinely solicit quotes or bids from neighboring banks. Such information gathering can vary in scope from a Request for Information (RFI), to a Request of Quotation (RFQ), or a Request for Proposal (RFP).

Furthermore, this enables the entity to look at its current level of banking services in comparison to what the organization needs. This presents an opportunity for change and keeps the organization abreast of the banking services and products in the marketplace.

Recommendation:

Obtain service and price quotations from neighboring banks at least every two years in order to make a fair and educated comparison of services and related costs.

FACILITY AND OPERATIONS

Overview and Inspection

The Sea Girt Board of Education is responsible for the operation of the district's one elementary school. Opened in 1970, the building is a single story structure that is heated by electricity. Total square footage of the building is 29,400 square feet. The building sits on a total of five acres, including athletic fields, playground, basketball and tennis courts, and a parking lot. The facility is situated in one of the commercially zoned sections of Sea Girt, alongside a state highway that serves as a major thoroughfare through the borough. Chain link fencing runs around the parameter of property closest to the highway, as well as the athletic fields and basketball and tennis courts.

Upon inspection of the building and property, the facility appears to be in good condition and is well maintained. Recently, however, the building suffered some structural problems due to complications arising from a roof replacement project. Preliminary repairs performed by a contractor resulted in leaks throughout the building. Water damage to rugs and ceiling tiles, plus warping of the gymnasium floor, caused the district to incur additional costs and delayed completion of the project. The district is currently in the process of collecting from the insurance companies. The district's goal was to complete the project by the start of the 1998-1999 school year.

According to the district's Quality Assurance Annual Report, six other building projects, besides the roof replacement project, were scheduled for the 1996-1997 school year. These were: masonry repair, fire alarm upgrade, electrical rewiring, computer network wiring, classroom phone wiring, and a new phone system. Minor additional improvements to the facility included:

baseball scoreboard replacement, new soccer goals, plumbing repairs, air conditioning and heating repairs, and equipment repairs. Total cost for all facility maintenance projects and improvements was \$423,633. The projects were funded either through bond issuance, allocation of funds in the operating budget, or donations made by the P.T.O., Boosters, or other organizations.

Over the course of the 1996-1997 school year, the school maintained and complied with all specified requirements of the Annual Health and Safety Review, which included holding a valid certificate of occupancy, fire inspection certificate, and health certificate. The school nurse is designated as the district's "right to know" officer and conducts inspections of the facility relative to school safety issues. The district also underwent a building evaluation conducted by the Monmouth County Department of Education and was found to be within the stated guidelines for compliance.

Facility Plan

On May 19, 1997, the Board of Education developed and approved a five-year comprehensive maintenance plan, outlining the long range goals for maintaining and/or improving the facility along with cost estimates for the anticipated projects. Projects range from routine repairs and maintenance to large scale capital improvements. Two upcoming major projects slated for completion are:

<u>Project</u>	<u>Estimated Cost</u>	<u>School Year(s)</u>
Heating system upgrade	\$350,000	2000-2001
Lighting retrofit	\$50,000 each / two phases	1998-1999 / 2000-2001

The plan is reviewed annually to prioritize projects and accurately project corresponding budgetary costs. Depending on facility needs and financial constraints, projects may not always be started as originally scheduled in the plan. The type and nature of particular projects are also given careful consideration to ensure that they are integrated into the planning stages for upcoming future renovations and improvements.

Custodial and Maintenance Services

The district employs two full-time custodians to clean and maintain the school. A part-time custodian, hired by the borough's Department of Public Works, is also used by the district for various facility related operations such as summer grass cutting, eighth grade graduation, and emergency situations that may occur during the school year. The custodians report directly to the school superintendent who, in turn, establishes and monitors the daily work schedules and determines their work load assignments. Normal work hours for the day custodian are 7:00 a.m. to 3:30 p.m., while the evening custodian works from 3:30 p.m. to 11:30 p.m. Both full-time custodians are entitled to one-half hour for meals.

The custodians are responsible for all custodial services, plant operation, light maintenance and repair, groundskeeping, and other miscellaneous seasonal activities. Job duties for the day custodian versus the night custodian differ, with the day custodian performing more of the groundskeeping and maintenance functions and the night custodian performing a greater portion

of the cleaning as well as securing the building at night. The district tries to keep as much of the custodial and maintenance work in-house as possible, contracting out for services that require major work or a level and area of expertise that exceeds what Sea Girt's custodial staff can do.

Observations of the building and grounds indicate that they are neat and clean. As part of the ongoing maintenance and upkeep of the facility, the day custodian prepares and submits to the superintendent a quarterly maintenance report. This report requires a thorough review and inspection of the facility on a regular basis and serves as a means of early detection of facility related problems that warrant future attention or an immediate course of action. All reports were prepared and submitted by the day custodian in a timely manner and problems were addressed by the superintendent accordingly.

According to the 1997 CAFR, the district spent \$186,274 for the operation and maintenance of plant services. Out of this total, \$86,234, 46% of the department's expenditures, was attributable to custodial salaries. Both full time custodians are unionized, tenured, and are at the top end of their pay scales.

A comparative analysis of Sea Girt's operational and maintenance services was prepared in order to determine whether the cost of services being provided by the district was in proportion to those of other districts of similar size. The financial data used in the analysis was extracted from the districts' 1997 CAFRs. Based on the information found below, it appears that Sea Girt's expenses are in line with those of comparable districts in the local area.

**Comparison School District Analysis
Operations and Maintenance of Plant Services
Based on CAFR Report as of June 30, 1997**

<u>Actual Expenditures by Category:</u>	Sea Girt		Spring Lake		Brielle		Avon	
Salaries	\$86,234	46%	\$89,889	44%	\$124,892	44%	\$48,018	51%
Purchased professional and technical services	3,983	2%	-	-	-	-	1,225	1%
Cleaning, repair and maintenance services	13,606	7%	39,244	19%	49,988	17%	21,802	23%
Other purchased property services	1,261	1%	-	-	2,348	1%	831	1%
Insurance	9,088	5%	12,645	6%	15,616	5%	426	0%
General supplies	21,080	11%	7,952	4%	16,541	6%	7,177	8%
Energy (heat and electricity)	51,022	27%	52,640	26%	73,887	26%	13,711	15%
Other objects	-	-	2,872	1%	2,528	1%	196	0%
Total operation and	<u>\$186,274</u>	100%	<u>\$205,242</u>	100%	<u>\$285,800</u>	100%	<u>\$93,386</u>	100%

maintenance of plant services

Recognizing the future impact of increasing operations and maintenance costs to the district, the board has taken certain precautionary measures to curtail rising expenditures. This included the successful negotiation of the most recent custodial contract for hourly rates, paid vacation and holidays, and sick leave. The Board of Education had also considered the option of privately contracting for custodial services in 1995, but ultimately decided against the proposal at that time.

Recommendation:

The district should continue to regularly review and evaluate its maintenance and operations expenditures, including the benefit of competitively contracting for custodial services in an effort to control its costs.

Energy Management

Since the school utilities are totally electric, a progressive action plan for energy management should be a critical issue for the district. According to the 1997 CAFR, the board spent \$51,022 on energy. This represents 27% of the district's budget for plant operations and covers both heat and electricity for the facility. Prior year CAFRs indicate that energy costs have been averaging around \$50,000 per year for the last four years. Given the information contained in the CAFRs, it is evident that energy costs play a significant role in the district's budget for plant operations.

In an effort to address this issue, the board of education has included three projects in its five-year comprehensive maintenance plan that will generate greater energy efficiencies and cost savings to the district. These projects include a lighting retrofit program, upgrading the lighting in the gymnasium and the building exterior, and a heating system upgrade. The projects are discussed in greater detail below.

In February 1997, the board of education contracted with an energy management consulting firm to perform an analysis and prepare a lighting retrofit program for the school. The project would entail retrofitting all the interior lighting in the entire building. According to the consultant's report, the current KW demand by the Sea Girt school district is 60 KW for lighting. Given the current level of usage, the consultant has guaranteed the district a reduction of at least 30 KW. This would result in an average savings in the district's lighting electricity bills of fifty percent or more.

The district also has other lighting related projects, which are to take place in the near future. They include upgrading and replacing the lighting in the gymnasium and the outside of the building. The superintendent was hopeful that the outside lighting upgrade will be completed during the summer in time for the 1998-1999 school year. The gymnasium lighting upgrade will be started sometime after the roof replacement project has been completed.

The district has scheduled the facility's lighting retrofit program to take place in two phases: the first phase will be done in the 1998-1999 school year and second phase will occur in the 2000-2001 school year. Total anticipated cost to complete the retrofit project is \$50,000 for each phase or a total of \$100,000.

Recommendation:

The Board of Education should follow through with its current plans to retrofit the lighting in the building in order to take advantage of these savings as soon as possible. The board should also make every effort to complete the other lighting related projects in time for the 1998-1999 school year. This initiative will provide better lighting for student and community use as well as generate energy associated savings which may be used to fund other future energy related improvements.

Another project scheduled on the maintenance plan is a heating system upgrade for the school. According to the maintenance plan, the upgrade is scheduled for the 2000-2001 school year and will cost approximately \$350,000. The project is to be funded through a referendum that will be offered at a later date. At the time of this review, the board of education had not contracted with any consulting firm for an energy feasibility study to be done of the school.

The LGBR review team contacted the local natural gas company to find out what conversion options are available to local school districts and what the projected savings would be. According to the company's director of commercial sales, a total of 310 schools have converted to natural gas, with an average of ten schools converting each year for the last five years. The natural gas company offers many methods for financing, including lease/purchase agreements, and estimates that the customer will save approximately 30% in energy costs over electrically heated facilities. Based on the district's 1997 energy costs of \$51,022, this would amount to \$15,307.

Recent trends in New Jersey's utilities industry have called for the deregulation of the State's providers. This will open the doors for greater competition and allow consumers to select their provider based on the best price. Cooperative bidding through organized consortiums may also present opportunities for additional energy cost savings in the selection process.

Recommendation:

Perform an energy audit immediately to determine the viability of converting and/or upgrading the HVAC system. It is imperative that the district assess the current system in terms of its efficiency and relative cost. An independent engineer should be contracted for this purpose. The Monmouth-Ocean Educational Services Commission (MOESC) may be able to assist with the process.

Assuming between a 10% to 30% cost reduction, as mentioned earlier, the district would save anywhere from \$5,100 to \$15,307 annually. Given the complexion of utility deregulation in the marketplace, companies are advertising at least 10% as an immediate

savings, even for residential customers. A commercial customer may gain even more from changing to another energy provider.

Cost Savings: From \$5,100 to \$15,307 Annually

PROPERTY AND CASUALTY INSURANCE

Staffing and Functions

The business administrator and the superintendent coordinate their efforts with an insurance firm (general agent), relative to the school district's property, casualty and workers' compensation coverage. The general agent is the liaison between the school district and its insurance providers. The firm's representative confers with the business administrator and superintendent as needed.

Recommendation:

The district should consider cross-training a staff member to assist the business administrator and act as a temporary back up. This should be someone familiar with the school district's employee benefits, payroll, and facilities.

Insurance Provider and Servicing Agent

The majority of the insurance coverage for the Sea Girt School District is provided by a firm that has been the insurance agent of record for the school district for five years. The company is also the plan administrator, and founder, of an insurance group consisting of 20 school districts in Monmouth County as well as the Oceanport Borough municipality. In addition, the Somerset Hills Board of Education in Somerset County, and the Carteret Borough municipality in Middlesex County, are members of this consortium.

The general agent has been in business since 1930, and has serviced school boards for 20 years. The company has 35 employees and is a full-service insurance agency. Its core business consists of school boards with expertise in handling workers' compensation claims and malpractice issues. The firm's business is approximately 80% in New Jersey and 20% in surrounding states. It has developed long-standing relationships over the years with many insurance companies. This enables the firm to offer lower rates that are generally lower than the direct writer insurance companies.

General Provider Types

A school district and a municipality can belong to the same insurance group, but this is usually discouraged because of the exposure (risk factor). There are no restrictions to membership in an insurance group, a Joint Insurance Fund (JIF), the standard market with a conventional insurance company, or from obtaining coverage with a direct writer. The local entities can also choose to have insurance coverage with a combination of these providers.

A primary benefit of belonging to an insurance group is limited risk. The member districts and municipalities are protected by conventional insurance providers, which means that the total risk is transferred from the insured to the insurer. Additionally, the members can benefit from

sharing information and drawing from each other's experiences. Nonetheless, the members are not locked into specific policies, or coverage limits. This is a guaranteed "cost insurance program" where no loss is passed back to the local entities.

In turn, by using a general agent, Sea Girt has the added benefit of a broker with an extensive network of key insurance providers to canvass for better coverage and rates.

Policy Types and Coverage

The district's insurance group provides it with a multi-peril policy, an excess liability policy, a school board legal liability policy, a public official bond, student accident and athletic accident coverage, excess worker compensation insurance, a public employee blanket bond; and a workers compensation policy.

Ancillary Insurance Requirement

The school district requires a certificate of insurance from any private organization or club that wishes to use district facilities. In this way, the district avoids having to pay an additional premium for the use of the building by uninsured third parties.

Provider and Coverage Evaluation

The general agent performs a review of the marketplace every year. The general agent also solicits bids every two years from prospective insurance carriers.

Premium Cost

The 1997 insurance premiums for Sea Girt School District were \$23,544 compared to 1998 which is \$21,163, a savings of \$2,381 with no reduction in coverage limits. For the past five years, premiums have gone down by approximately 12%.

Recommendation:

Consider forming an alliance with neighboring local entities, including the Sea Girt municipal government, for the purpose of purchasing insurance at additional reductions. This idea is explored further in the shared services section of the report.

Dividends Earned

The insurance company typically pays group dividends on a sliding scale from 10% to 20%. In 1997, this represented approximately \$1,500. In 1998, the dividend is expected to be approximately \$2,000. The district received a dividend check of \$1,424 from its insurer in 1998. This was based on last year's workers compensation loss ratio. No claims were made against the district in 1997.

Safety Committee

With a guaranteed insurance program, a formal safety committee is not required, whereas, participants in a Joint Insurance Fund (JIF) must have a formal committee that meets quarterly. However, insurance carriers encourage members to organize an informal safety committee. The program centers around the prevention of potential accidents in the workplace as well as the

community. Accidents may result in additional liability, even when there is sufficient insurance coverage. The likelihood of a local entity incurring a liability for personal damages is greatly reduced by taking precautionary measures.

When there is a loss, the insurance carrier requires a detailed written report from a qualified expert, usually selected by the provider. Essentially, these are insurance adjusters expert in general and specific construction areas such as flooring, roofing, masonry, and the like.

Nonetheless, a safety committee is another practical measure that a government entity can take to contain and even reduce its insurance costs. When claims are controlled, premiums are essentially lower. Generally, 50% of the budgeted costs pay for claims. Some JIFs, for example, reward their members with rebates predicated on the success of the safety committee, to the extent of the measures taken to prevent accidents and losses. These measures, for example, can be in the form of signs, equipment and/or training sessions, etc.

Recommendation:

Educate the student body, parents, and community, in general, on the benefits of school safety. A periodic report could be published in a school publication and distributed at board meetings, indicating the relative state of the district's safety record. Where possible, the district's safety record should be translated into cost savings.

FOOD SERVICE

Sea Girt does not have a traditional food service program in which lunches are served to students and staff. The only lunches sold at the school are for certain fund raising activities that occur occasionally over the course of the year. Students, who stay at the school during the lunch period, are required to bring a bag lunch. Parents are informed in writing of the opportunities for free and reduced price lunches; there were no free or reduced price lunch applications received during the 1997-1998 school year. The district does provide for the sale of milk, however, and participates in the Special Milk Program. The Special Milk Program provides milk to children in schools and child care institutions that do not participate in other federal child nutrition meal service programs. The program is administered according to federal and state law as specified in the board's policy handbook.

The board secretary is responsible for the administration of the special milk program and maintains all relevant financial and statistical data directly pertaining to the program. This information includes all eligibility applications, purchase vouchers, financial receipts and disbursements, and milk count activity. A review of the board secretary's files indicates that all records appear to be in order, with documentation for state and federal reimbursement being submitted in a timely manner. This was confirmed by the independent auditor's reports for fiscal years 1996 and 1997.

According to the district's administrative and financial records, a total of 9,824 half-pints of milk were sold during the 1996-1997 school year, with an average daily attendance record of 162 students per month. The 1997 Comprehensive Annual Financial Report (CAFR) reveals that the board received \$5,471 in total revenues. Total revenues were offset by total operating expenses of \$1,975, for a net income of \$3,496. Primary sources of revenue included \$1,968 in daily sales, \$1,453 in state and federal reimbursement, and a \$2,000 district subsidy. Due to the terms of a banking agreement the board of education entered into in January 1996, any interest generated from the enterprise fund is now incorporated with the school's six other bank accounts and recorded in the general fund.

It was reported to the team that the district's auditor made a verbal recommendation to the board of education to cut back its subsidy to \$1,000 per year, given the fact that enterprise fund has ample funds to sustain its food service operations. The decrease in the board's subsidy to the enterprise fund is scheduled to be implemented in the 1998-1999 school year.

Recommendation:

The team concurs with the auditor that the Board of Education should decrease its subsidy to \$1,000 or possibly phase out the subsidy altogether. The CAFR indicates that the enterprise fund has more than enough monies on hand to cover expenses to operate the special milk program.

Cost Savings: \$2,000 With Elimination of Subsidy

In addition, the board of education employs school lunch aides who assist in the supervision of students during the lunch period. Lunch aide salaries are not found, however, under the enterprise fund. According to the school business administrator, lunch aides are now categorized as operation and maintenance staff under the Comprehensive Educational Improvement and Financing Act (CEIFA) and as such, their salaries are recorded as part of the operation and maintenance of plant services. Total salaries and direct benefits for lunch aides and substitutes in FY'97 were \$9,830.

The district purchases its milk through an informal "handshake" agreement with the Manasquan school district. Manasquan is responsible for the selection of the vendor and the negotiation of price. During the 1996-1997 school year, Sea Girt paid 18.5 cents per ½ pint of milk; with the price of milk being set at 20 cents for students and 35 cents for adults. Milk is normally delivered to Sea Girt every other day, the district is billed directly by the vendor. Payments to the vendor are made by the board secretary through the enterprise fund.

Recommendation:

While it is not the LGBR's intention to inhibit the positive cooperative arrangement that presently exists, we suggest that the board of education enter into a formal agreement with the Manasquan School District. The agreement should be reviewed by the board attorney in accordance with statutory rules and regulations governing the purchase of milk and the special milk program. Sea Girt should also survey other neighboring districts on an ongoing basis to ensure that they are receiving the best milk price available to them. Based on current pricing trends in the food service industry, the district should only be paying cost plus margin for milk.

SPECIAL EDUCATION

Overview

According to the October 15, 1996 Sea Girt Application for State School Aid (ASSA), the district had thirty-five classified students in its Special Education (SE) program, pre-K to 12, including sixteen students who were classified for speech instruction only. Excluding speech, of the remaining nineteen students, eleven were educated in-district and eight were sent out-of-district to both public and private education centers. Historically, the majority of the district's SE students fall under the category of speech. A three-year distribution of SE students through the 1996-1997 school year is as follows:

Sea Girt School District Overview of Special Education Students Pre-K to 12

<u>Category</u>	<u>1994/1995</u>	<u>1995/1996</u>	<u>1996/1997</u>
Resource Room	9	12	11
Speech Instruction	14	12	16
<u>Out-of-district:</u>			
Sent full time to public schools	4	5	5
Sent shared time to public schools	--	--	1
Sent to private schools	<u>6</u>	<u>4</u>	<u>2</u>
Sub-total SE out-of-district	10	9	8
Total Special Education	33	33	35

Source: Application for State School Aid (ASSA) Report

In-district students are served in either the resource room or the regular classroom through inclusion. Full- time SE staffing needs consist of a resource room teacher and special education aide. Part- time SE staff includes the child study team, speech correctionist, augmented speech therapist, occupational therapist, and physical therapist.

Financial

The 1997 Comprehensive Annual Financial Report (CAFR) reveals that the Board received \$60,020 from the state in Special Education Aid. In addition, the district receives federal grant funding for its SE program from the following sources under the Individuals with Disabilities Education Act, Part B (IDEA-B), Basic Flow-Through Funds and Preschool Handicapped Funds.

Basic Flow-Through Funds are applied for with the Manasquan school district in a consortium. Manasquan receives the funds directly and applies Sea Girt's portion towards the district's Child Study Team agreement. The district applies for Preschool Handicapped Funds directly, with the funds being used for speech services. For the 1996-1997 school year, the district received \$14,356 in Basic Flow-Through Funds and \$2,680 in Preschool Handicapped Funds. The district is also enrolled in the state's Special Education Medicaid Initiative (SEMI) program, but does not receive any Medicaid reimbursement because none of its SE students are Medicaid eligible.

In the 1996-1997 school year, the district spent \$207,064 on special education, of which 52% was for instruction. A comparison of the district's SE expenses for the last two school years reveals that total overall expenditures have decreased \$22,091, or 9.6% from 1996 to 1997. The greatest fluctuation by category is \$32,334, or 68.6% in transportation costs. This decrease is attributable to bringing one of the SE students back into the district upon completion of pre-school.

A statistical analysis of Sea Girt's special education expenses to those of other comparable districts indicates that the district has the lowest total special education expenditures of the four. Sea Girt also ranks as the lowest in actual special education expenditures by spending category. Consideration must be given when drawing conclusions from the statistical data given, that each district's special education population has different needs, whose costs will vary accordingly.

**Comparison School District Analysis
Special Education Expenditures
Based on CAFR Report as of June 30, 1997**

	<u>Sea Girt</u>		<u>Spring Lake</u>		<u>Brielle</u>		<u>Avon</u>	
<u>Actual Expenditures by Category:</u>								
Special Education - Instruction	\$72,944	35%	\$128,184	30%	\$276,124	46%	\$93,298	37%
Undistributed Expenditures - Instruction	106,925	52%	189,037	44%	204,223	34%	117,320	47%
Support Services - Spec Ed	9,294	4%	47,479	11%	59,963	10%	23,067	9%
Transportation - Spec Ed	14,824	7%	60,599	14%	59,735	10%	17,904	7%
Capital Outlay - Handicapped	3,077	1%	-	0%	-	0%	-	0%
Total Special Education	<u>\$207,064</u>	100%	<u>\$425,299</u>	100%	<u>\$600,045</u>	100%	<u>\$251,589</u>	100%

Out-of-District Special Education

When students are sent out-of-district, it is due to the extent or nature of the disability, court adjudication, and/or due to space limitations within the district. In the 1996-1997 school year, there were a total of eight SE students placed out-of-district, of which six were high school students and two were elementary school students. A detailed breakdown of cost per pupil by school type for out-of-district SE students is shown below.

**Sea Girt School District
Out-of-District Placement Costs
For The Regular School Year 1996-1997**

School Type	# of Students	Tuition per Pupil	Transportation per Pupil	Total Cost
Public Sent/Full Time	5	\$8,000	N/A	\$40,000
Public Sent/Shared	1	4,040	N/A	4,040
Vocational	1	4,000	2,025	6,025
Private	1	26,235	5,040	31,275
Private	1	\$29,297	3,960	\$33,257

As a means of minimizing the cost of transporting out-of-district students to and from the schools they are attending, the district engages in two jointures or inter-local agreements with other area school districts. One jointure is with Wall Township, the other with Manasquan. The district's share of costs for the Wall Township and Manasquan jointures for the 1996-1997 school year is \$5,040.00 and \$3,960.32, respectively.

Efforts are made to provide as much in-district placement of SE students as is deemed feasible and cost effective. Special education students are not sent out-of-district unless the district is unable to provide an appropriate level of education in a least restrictive environment. Regularly scheduled assessments are made of the special education population and their needs.

Child Study Team

The Sea Girt school district receives Child Study Team (CST) services from the Manasquan school district through a signed written agreement. The CST is composed of a psychologist, a social worker, and a Learning Disabilities Teacher Consultant (LDTC). According to the agreement, the team is required to spend one half day per week in the district.

The team is responsible for determining pupil eligibility for special education and related services and for establishing an Individualized Educational Program (IEP) for each educationally handicapped pupil. The CST serves the district's elementary school students as well as those who continue on to Manasquan High School. In this way, the CST establishes an ongoing, positive relationship with Sea Girt's students at the elementary level, which allows them to monitor and follow through to the high school level with minimal, or no disruption in services.

During the 1996-1997 school year, a total of seven pupils were referred to the CST for initial evaluations. Out of those seven, four were classified as perceptually impaired, two were classified emotionally disturbed, and one was classified handicapped. The CST also re-evaluated a total of four pupils, three of whom are perceptually impaired and one who is multiply handicapped. Total costs for the CST in the 1996-1997 school year were \$23,000. The board paid \$25,000 for CST services in the 1997-1998 school year.

Commendation:

The Board of Education is commended for its shared services agreement with the Manasquan school district for the provision of child study team services.

Pupil Assistance Committee

The board has established a Pupil Assistance Committee (PAC) in order to assist students experiencing personal, interpersonal or academic difficulties to function productively and develop positively in the classroom and school environment. Through early intervention, the PAC is able to provide educational assistance to students in a timely and efficient manner without the need for unnecessary evaluation procedures.

The PAC consists of the team leader, school nurse, LDTC, a representative of the teaching staff, and the teacher presenting the problem. Other individuals whose expertise may be called upon by the committee include the speech therapist, CST members, special area teachers, and other classroom teachers. The committee meets on an as-needed basis.

The review process involves the completion of a referral form that triggers the scheduling of a PAC meeting to discuss the case. At the meeting, PAC members and other invited participants brainstorm possible solutions and develop a written action plan outlining the committee's course of action, monitoring responsibility for the case, and the next scheduled review date. At the following review meeting, the action plan is either continued, modified or terminated, or a recommendation for a higher level intervention is made through a new action plan.

Of the 15 students referred to the PAC in the 1996-1997 school year, ten were referred to the CST, with seven being classified and three not being classified. The 1996-1997 school year reflected a higher incidence of PAC reviews than normal for the school district. Typically the PAC will review four to five students per year. Currently there are four students being monitored by the PAC in the 1997-1998 school year.

Commendation:

The Sea Girt Board of Education is commended for the establishment and successful utilization of a Pupil Assistance Committee in the district's Special Education program.

TRANSPORTATION

Out-of-District Programs

The Sea Girt School District participates in out-of-district elementary and high school special education and vocational programs. In the 1996/1997 school year, there were 173 students enrolled in the Sea Girt School District. In the 1997/1998 school year there were 181 students enrolled in the district and seven students were transported to programs out-of-district. Students were transported to Children's Center, Behavioral Health, Belmar Elementary School, Marine Academy of Science and Technology (MAST), School for Children at Monmouth University, and the Collier High School.

The district appears to have an excellent working relationship with its receiving districts. According to the board secretary, who serves as the transportation coordinator, the children sent to the special programs are well behaved and punctual. It has not been necessary to provide a bus aide for any of the routes.

Evaluation and Placement

The child study team is responsible for evaluating the student's needs as well as reviewing various programs offered by other school districts. Once the decision is made on which program best suits the needs of the students, transportation begins.

According to the board secretary, the child's program determines the transportation schedules. Although transportation efficiency is important, the choice of transporter may not always be the most practical solution in terms of cost and efficiency. Even though the school district strives for the best combination of program and location, this is not always possible. For example, one student is transported alone, by a private car service. This is necessary due to the unique nature of the student's program.

Nonetheless, the Sea Girt School District works to get the best possible fit of service and cost. The board secretary is responsible for this. The board secretary is responsible for reviewing, evaluating, negotiating, and preparing of the agreements and contracts for out-of-district student transportation. Her findings and recommendations are submitted to the superintendent and the board of education for approval.

Student transportation data must be submitted to the State Department of Education in the fall. The information is disseminated in the "New Jersey Department of Education District Report". The statewide report illustrates costs and state aid payment schedules. Sea Girt's records are in excellent condition detailing all the necessary information. This enables the district to provide the state with accurate and timely data.

Contracts and Inter-local Agreements

During the 1996/1997 school year, Sea Girt contracted its transportation services with the Boards of Education from Manasquan Borough, Brielle Borough, and Wall Township. Further, Sea Girt provided summer school transportation in 1996 for three students. The district contracted with Wall Township and Manasquan Borough, in turn, Manasquan sub-contracts a private company for one of the students.

In the 1997/1998 school year, Sea Girt contracted with the Boards of Education from Manasquan Borough, Wall Township, and Belmar Borough. In addition, the Monmouth-Ocean Educational Services Commission (MOESC) contracted to provide services through two independent carriers. However, the 1997/1998 summer program had not been confirmed as of our study, and therefore, is not illustrated in the tables.

Each bus carries students from neighboring school districts along with any Sea Girt student. In this way costs are shared and more likely to be controlled. In the past five years, there have not been any transportation-related accidents.

The following illustrates out-of-district student transportation during the summer of 1996. The aggregate cost was \$4,172.

Destination - Mileage	Program - Grade Level	Host District - Transporter	Cost
Alpha School - N/A	Spec Ed - Elementary	Wall Township Bd of Ed - Wall Township Bd of Ed	\$1,500
Children's Center - 10.3	Spec Ed - Elementary	Manasquan Boro Bd of Ed - Manasquan Boro Bd of Ed	632
Children's Center - 10.3	Spec Ed - Elementary	Manasquan Boro Bd of Ed - Briggs Transportation	2,040

The following illustrates out-of-district student transportation during the 1996/1997 school year: The aggregate cost was \$13,427.

Destination - Mileage	Program - Grade Level	Host District - Transporter	Cost
Marine Acad of Sci & Tech (MAST) - 34.0	Vocational - H/S	Manasquan Boro Bd of Ed - Manasquan Boro Bd of Ed	\$2,402
Monmouth County Career Center - N/A	Spec Ed - High School	Brielle Boro Bd of Ed - Brielle Boro Bd of Ed	2,025
School for Children at Monmouth Univ - 23.2	Spec Ed - Elementary	Wall Township Bd of Ed - Wall Township Bd of Ed	5,040
Children's Center - 10.3	Spec Ed - Elementary	Manasquan Boro Bd of Ed - Manasquan Boro Bd of Ed	3,960

The following illustrates out-of-district student transportation during the 1997/1998 school year. The aggregate cost was \$25,329.

Destination - Mileage	Program - Grade Level	Host District - Transporter	Cost
Children's Center - 10.3	Spec Ed - Elementary	Manasquan Boro Bd of Ed - Manasquan Boro Bd of Ed	\$4,050
Shoreline Behavioral Health - 29.4	Spec Ed - High School	MOESC - Briggs Transportation	\$806
*Belmar Elementary - 9.0	Spec Ed (Voc) - H/S	MOESC - Unlimited Autos Inc	\$8,100
Marine Acad of Sci & Tech (MAST) - 34.0	Vocational - High School	Manasquan Boro Bd of Ed - Briggs Transportation	\$2,503
School for Children at Monmouth Univ - 23.2	Spec Ed - Elementary	Wall Township Bd of Ed - Wall Township Bd of Ed	\$9,000
Collier School - N/A	Spec Ed - High School	Belmar Boro Bd of Ed - Belmar Boro Bd of Ed	\$870

Note: (a) *In February 1998, the board secretary changed to another contractor. This initiative reduced the daily rate from \$45.00 to \$15.00 which saved the district \$5,400.

(b) Mileage accounts for a round-trip.

(c) N/A designates unavailable information.

Recommendation:

LGBR recommends that the district consider combining the efforts of neighboring school districts in seeking the best and most cost-effective transportation for special education and vocational programs. An inter-district transportation consortium, with a coordinator might be the best vehicle to accomplish the best transportation arrangements.

Working together would produce a greater likelihood of cost reduction through increased purchasing power and collective expertise. It should also reduce administrative overhead since redundant activities should be minimized.

The districts would benefit from the savings as well as the cost of maintaining the program. This could be done on a sliding scale, based on the actual cost to transport the students. Further, the vendor would benefit from dealing with one source as opposed to many. Contracts could be written for two years instead of one. N.J.S.A. 18A:39-2. If executed cautiously it can result in many benefits for all stakeholders. Information can be gathered from other school districts that have their own fleet or may be partnering with other schools. Sea Girt can begin to gather pertinent information from these sources, which will

enable the district to make an informed decision about alternatives and/or enhancements to the current transportation system. We urge the Sea Girt School District to review this area.

SPECIAL PROGRAMS

Adult Education/Alternative School

The district does not currently offer adult education classes. During the 1996-1997 school year, the district provided an evening computer class for adults. The cost of teacher services to instruct the class, approximately \$500, was divided by the number of registrants. The district did not anticipate, and did not realize, a profit on the class.

The district has not experienced the need for an alternative school.

Title I - Basic Skills

Seventeen students participated in the Sea Girt Elementary School basic skills program in the 1997-1998 school year. Basic skills instruction is held in the basic skills teacher's room and in the computer center.

The cost of the basic skills program equates to the proportionate cost of the basic skills teacher's salary and benefits. Basic skills materials are the same as those used in the regular classroom. The number of basic skills students in the district has remained relatively stable over the past three years. Nevertheless, the cost of the program doubled from \$10,331 in 1995-1996 to \$20,780 in 1996-1997 due to disparity in teachers' salaries. In the 1995-1996 school year, several relatively new teachers, who were on the first steps of the salary schedule, shared duties instructing basic skills. Beginning in the 1996-1997 school year the basic skills program was assigned to one instructor, a teacher first employed by the district in 1970, the year the Sea Girt school opened. During the 1996-1997 and the 1997-1998 school years, this teacher has been assigned part-time to basic skills and part-time to regular instruction. The following are the costs of the basic skills program over the past three years:

	Number of Basic Skills Students	Proportion of F-T Position	Program Cost*
1995-1996	21	2/5	\$10,331*
1996-1997	20	3/5	\$20,780*
1997-1998	17	2/5	\$24,268*

* Fractional salaries, not including benefits

Grant Programs

IMPROVING AMERICA'S SCHOOL ACT (IASA)

Title I, Part A - Helping Disadvantaged Children Meet High Standards - Basic Skills

Funds awarded: 1996-1997 \$0
1997-1998 \$0

The district receives no state funding to offset the cost of its Title I basic skills program. State guidelines for disbursement of Title I funds under the federal Improving America's Schools Act (IASA) base grant awards on the number of children eligible to receive free and reduced-price lunches under the national School Lunch Act. The Sea Girt School District currently has no students eligible for free and reduced priced lunches.

Title II, Part B - Dwight D. Eisenhower Professional Development Program

Funds awarded: 1996-1997 \$600
1997-1998 \$343

The district utilized its 1997-1998 Eisenhower grant award to fund staff development in mathematics and science through the Brookdale Consortium. The consortium is a regional education network funded by the combined Eisenhower grant moneys received from the contributing districts.

In 1996-97 Sea Girt benefited from the Title II funding received through a consortium with other districts. These monies funded innovative programming and staff development under a federal goals 2000 grant.

Title IV - Safe and Drug-Free Schools and Communities

Funds awarded: 1996-1997 \$571
1997-1998 \$753

The district purchased professional and technical services from the Wall Youth Center to supplement the district's substance awareness and drug abuse program.

Title VI - Innovative Education Programs and Strategies

Funds awarded: 1996-1997 \$496
1997-1998 \$609

Grant funding is utilized to purchase computer software.

INDIVIDUALS WITH DISABILITIES EDUCATION ACT, PART B

IDEA-B Basic Flow-Through

This grant is applied for in consolidation with the Manasquan School District. As the applicant district, Manasquan receives all funding and then breaks out Sea Girt's portion so that the Sea Girt School District can obligate the funds as per the grant application.

Funds awarded: 1996-1997 \$14,356
1997-1998 \$16,450

The funds purchase Child Study Team services in the classification areas identified on the grant application.

Preschool Handicapped

The application is made directly by the Sea Girt School District.

Funds awarded: 1996-1997 \$2,680
1997-1998 \$2,480

Funds are used to purchase speech services.

GOALS 2000

Funds are awarded to nine-member consortium: 1995-1996 \$ 60,000
1996-1997 \$200,000
1997-1998 \$0

The Goals 2000 grant was awarded for the development and implementation of a revamped mathematics instructional program in conjunction with the National Council of Teachers of Mathematics and incorporating the National Mathematics Standards. As one member of a nine-member consortium, the Sea Girt School District utilized its portion of the funds to purchase off-site staff development and classroom equipment to facilitate implementation of teacher training.

The consortium did not renew its application for the 1997-1998 because the staff applicants, who came from neighboring districts, relocated to different positions in other areas of the state. We recommend that the district apply for all entitlement grants for which they are eligible. Perhaps a needs assessment could be completed to identify areas in which resources are needed, thereby, positioning the district to respond to RFPs. Good sources of current information on available grants are the websites of the State Education Department and the United States Department of Education (www.state.nj.us/education) and (www.ed.gov/inits.html) and (www.ed.gov/funding.html).

Recommendation:

It is recommended that the district reapply for all continuing grant moneys, which have contributed to its educational mission. The Sea Girt School District joined a local consortium formed with the common goal of revamping mathematics instruction under a Goals 2000 grant. The consortium lost \$100,000 when no one came forward to reapply for the project's third and final year of funding. LGBR recognizes that Sea Girt did not join the consortium until 1996 and that the district was only one in a nine-member consortium. Nevertheless, \$100,000 was earmarked for award to the consortium for 1997-1998. This sum would have been more than sufficient to offset the cost of contracting with a grant writer to ensure receipt of the necessary funding and, if need existed, a program coordinator, to bring this grant project to completion. Unfortunately, the application period for continued funding of this project has passed and Sea Girt's portion of the \$100,000 cannot be recaptured.

PUPIL SUPPORT

Health Services

Board policy number 5141 of the Sea Girt Board of Education "supports a program of pupil health services which employs professional personnel and encourages communication with parents and community health agencies." Among other health-related topics board of education policies address are: accidents and emergency care; illness, administering medication; health examinations and immunizations; child abuse and neglect; sexual harassment; and drugs, alcohol and tobacco.

The district employs one full-time school nurse and pays for the services of a medical doctor who generally works out of the nurse's office when on campus. The doctor charges a combined annual fee for all services performed. Physician services consist mainly of performing student physical examinations and, when necessary, consulting on health issues. School physical examinations are generally performed in the third and sixth grades. Physical examinations of all students participating in interscholastic and intramural sports are performed as per board policy. The school doctor performs the grade-level physical examinations as well as sports-related examinations at no charge. Students may elect to have their own physician perform the required physical examination at their expense. The school physician performs approximately 80 physical examinations each year.

As the district's only full-time health professional, the nurse coordinates a number of health-related programs and presentations including the following:

- . annual career day focusing on health-related careers
- . biking safety presentations by the local police department
- . community awareness night, regarding drug and alcohol awareness
- . school assemblies on the misuse of drugs, alcohol and tobacco
- . articulation with high school receiving district concerning health issues
- . assistance to the district physician as needed.

The nurse is available to faculty, staff, and students as a hands-on resource person. Additionally, she teaches regularly-scheduled health classes in grades K through 2 and grades 6, 7 and 8. The nurse performs vision and hearing screenings and arranges for dental hygiene presentations. She is responsible for presentation of the district's family life education program to fifth graders and assists in coordinating the district's drug and alcohol abuse program. The school nurse also directs Quest, a district-initiated student outreach program.

The cost to the district for health services during the 1996-1997 school year was:

Nurse, full-time, one position*	\$52,210.00
Medical and educational supplies for nurse's office	\$ 546.00
Medical doctor, part-time services by appointment of the board	\$ 2,466.00

* 1997 calendar year

Note: The above personnel costs are taken from district payroll services data; supply costs appear in the 1997 CAFR.

Each year, prior to the start of classes in the fall, the board votes on the appointment of the school physician. The board has no written agreement concerning the terms of employment for the school physician, but continues to employ the physician as a part-time staff member. As such, the physician participates in the Public Employees Retirement System (PERS) but does not receive sick or personal leave, medical or dental insurance or vision care. The school physician provides similar medical services to at least one other district in the area.

Guidance

The Sea Girt School District does not have a guidance counselor. Nevertheless, board policy number 6164.2 recognizes the assistance which guidance and counseling can provide to students. By policy, all faculty provide routine guidance, with the resource room teacher or the child study team providing guidance and counseling of a more specialized nature as needed. As observed during the review team's time in the school, guidance is also provided by the nurse and the principal. The principal is certified by the State Department of Education as a guidance counselor.

Athletics

The district offers a variety of sports for intramural and interscholastic competition. These include: boys and girls soccer, boys and girls basketball, boys baseball, girls softball, tennis, and cheerleading. Almost all, 95% to 100%, of the school's sixth, seventh and eighth graders participate in intramural sports. District policy allows all grade-eligible children to participate on the team for which they try out; there are no "cuts" based on athletic ability.

Five staff members were involved in the school's athletic program during the 1996-1997 school year.

District Athletics Program Costs 1996-1997:

Stipends	\$12,381
Transportation costs	\$3,320
Equipment and supplies	\$2,200

The following is an illustration of the athletic stipends noted above:

\$1,007.23	cheerleader coach, soccer
1,578.90	cheerleader coach, basketball
1,715.00	girls basketball coach
1,197.78	boys soccer coach
1,197.78	girls soccer coach
1,197.78	softball coach
1,715.00	boys basketball coach
1,197.78	baseball coach
	intramural coach
\$789.45	coach-in charge of athletics
\$789.46	(NOTE: Tennis is coached by parent volunteers under direction of the Coach-in-Charge)

*Source: district negotiated agreement with the Sea Girt Education Association.

An area bus company provides transportation for athletic events. The district is charged \$90 for one bus, round trip, for each local athletic event. The district does not bid or solicit telephone quotes for this service. It has an informal arrangement with a service provider in the area.

District costs for athletic equipment and supplies are reduced significantly by donations from the school's parent booster club. The club holds several fundraisers over the course of the year. Moneys collected are donated to the school sports program.

Clubs

Fourth through eighth grade students have the opportunity to select from a number of clubs which they may join. Clubs meet on Fridays during the last period of the school day. The students may choose from Drama Club, Sports Club, Safety Patrol, Peer Leadership and Computer Club.

The 1996-1997 district operating costs for the school clubs were as follows:

Drama Club:	
. Drama Club Advisor	\$1,197.78
. Assistant Drama Club Advisor	598.90
Safety Patrol	353.89
Sports Club	0
Computer Club	0
Peer Leadership	0

Other Extra-Curricular Activities

Each class takes at least one field trip per year, culminating in a two-day trip for eighth grade students to Washington, D.C. Generally, parent volunteers accompany the teacher(s) and students on field trips. With the exception of the Washington, D.C. trip, the cost to the district for these activities amounts to the cost of transportation. During the school year 1996-1997, students participated in a total of 10 class trips; associated transportation costs amounted to \$3,440. For the Washington, D.C. trip that year, total stipends in the amount of \$686 (\$229 per person) were paid to teachers who accompanied the students.

In conjunction with five neighboring districts, Sea Girt sends students to the annual South Shore Gifted and Talented Consortium. Costs, such as transportation, food and use of facilities at a nearby college, are shared by all participating districts. During the 1996-1997 school year, Sea Girt sent fifteen students to the consortium at a total cost of \$525, that is, \$35 per student for the full-day program.

In addition to use by students and parent groups, the Sea Girt Elementary School building houses activities for a number of community groups, including township recreation for physically handicapped students, adult men's basketball, Catholic Youth Organization, and Saturday sports for township children. Those using the building must pay for any additional custodial time necessitated by their activities; however, the district does not charge for use of the building. It was explained to the review team that, since those who use the building are predominantly township residents whose local taxes support the facility, it is made available to them much as any other community facility would be.

The district is commended for its participation in the South Shore Gifted and Talented Consortium. The consortium provides approximately 100 students from five districts with one day of hands-on creative educational challenges each year. Financially, the program is made possible by district per-pupil cost sharing. Shared services include everything from buses, to food, to facilities. At a 1996-97 per-pupil cost of \$35, this program is a microcosm of shared services and creative financial thinking put to use for the benefit of the students.

Recommendations:

The review team recommends that, at a minimum, the district obtain telephone quotations for athletic busing service. It is also suggested that the district explore the possibility of

joining with one or more neighboring districts in an effort to obtain savings by jointly bidding bus services for athletic events.

It is recommended that the board consult with legal counsel concerning the need for a written agreement and job description in contracting for physician services. The board may also want to obtain an IRS ruling to best determine the nature of its employer/employee relationship with the school physician. Based on this ruling and/or the advice of counsel, the board will be in a position to decide whether it is obligated to continue providing PERS and making social security and medicare payments for this position.

Potential Savings:	Social Security and Medicare	\$175* Annually
	PERS	\$115* Annually

***Calendar year 1997**

Future savings to taxpayers relative to payment of retirement benefits through PERS cannot be calculated at this time.

COMPUTER TECHNOLOGY

Background and Current Organization

The Sea Girt School District's technology initiative has benefited from contributions by both residents and board of education members. Their generosity and expertise have enabled the district to develop and implement a technology plan that addresses both educational and organizational needs. As part of the review, the LGBR team examined the technology plan and all transactions associated with technology. The team found the district's management information systems initiatives to be very forward-looking and appropriate.

In recent years, the district installed a silent phone with voice mail in each classroom complete with a visual notification of calls waiting. The administration provides parents with the telephone number of their child's classroom so parents have direct contact with the teacher. The district has a written policy that messages should only be retrieved before and after instructional hours. Parents are told to contact the main school number in cases of emergency.

The district has wired each classroom for 10 computers. Currently the school averages 3 or 4 computers in each classroom and uses them to augment the instructional setting rather than viewing computers as a separate subject. The district has established an administrative network and an instructional network. The library contains a computer lab with 25 computers, two 7 bay CD-ROM stacks, a scanner and a network server. The other network server is located in the administrative office with the switchboxes and hubs. The building is wired for an Intranet and all classrooms are internet ready. Internet access is currently provided to the library and business office only. There is one instructor who has been trained in the Windows NT server software.

Software Installation and Board Policy

While LGBR does not evaluate program or instructional software, a check is made to see if there are licenses for software currently installed on district computers. A random check, based on the inventory listing in the technology plan, revealed that the district has properly licensed all chosen software. While software installation on those computers has been done in an appropriate manner, the district does not have a written policy describing this procedure.

Recommendation:

LGBR recommends that the district develop and implement a policy prohibiting employees from installing non-district software. The policy should also include a time frame allowing a testing period for a potential software purchase.

Hardware Procurement

Computers are purchased through state contract. As a matter of continuity, the district only purchases one brand. Donations and fundraising for technology are accepted as a dedicated cash donation and deposited in a special revenue account. Once the district receives the money, it purchases the computers under state contract.

Since 1994, the PTO has provided funding to the district for approximately 26% of equipment purchases listed in the technology plan. Based on a comparison of similar computer specifications, the district and the P.T.O. could have saved at least 8% if they had purchased the computers directly and donated the equipment to the school. The team estimates a savings of approximately \$2,336, the cost of one computer if direct purchase had taken place. In addition, the computer manufacturer stated that any warranties purchased by the P.T.O. could be transferred to the district via a five-minute phone call to the company's customer service department. The district would also realize efficiency savings since all moneys donated to the district must be deposited into the general fund and then subjected to the normal business process associated with government.

Recommendation:

The LGBR team understands the district's desire to purchase all computers from one manufacturer. However, as the P.T.O. continues to purchase computers and other various equipment for the school, it may be more cost effective to purchase the computers directly. It is, therefore, recommended that the district evaluate the cost savings if the donor was to directly purchase and donate the equipment rather than accepting a cash donation.

During the review, it was revealed that a generous member of the community has arranged for a loan to the district of several critical equipment components of the school's network at no cost. The district has offered to purchase the "loaned" equipment, which is valued at \$8,000. The lender prefers not to sell the equipment to the district whose insurance policy covers the value of this equipment. This informal arrangement between the district and the community member does not appear to compromise the present or future success of the district's computer technology system.

Technology Plan 1997-2002

The technology plan outlines the vision of the board in the educational and organizational goals of the district. The team found a well designed plan that contained details for funding staff training and future purchasing. LGBR also found detailed software and hardware inventory and a network schematic. The district has funded, through a bond issuance, a plan to re-wire the building with a power surge protector. However, the installation has been held up until the district resolves the issues surrounding the damages incurred from the installation of a new roof. There is no mention of an internet policy in the plan.

Recommendation:

An internet policy is vital in providing employees and students with a guide for acceptable, educational access. In recent years, there has been an increase in litigation costs as a result of students and employees accessing, downloading and plagiarizing material on the internet which specify conditional use or are copyrighted. It is, therefore, recommended that the district, with advisement from the board attorney and consultation with the New Jersey School Boards Association insurance group, develop and adopt an internet policy that specifies the appropriate use of the internet by students and employees in an educational setting.

Ancillary Issues

All hardware is labeled and inventoried. The insurance carrier receives a detailed and up-to-date report of all equipment.

The hardware and software is insured under the terms and conditions of the Commercial Property Coverage Declaration. The replacement costs are considered when the policy is renewed.

The network is maintained by the computer technology teacher. The Sea Girt School District has access to the systems administrator at the Manasquan School District for assistance with certain technology issues.

The district does an excellent job handling technology issues. We raise the need for Y2K investigation and possible corrective action as a precaution only.

Legal Fees

The district utilizes the services of an area law firm which has provided legal representation to the district for a number of years. Services are retained on an annual basis by board resolution. Apart from the basic information contained in the board resolution, the district does not have a formal written contract with legal counsel.

The firm does not require a retainer. The district currently pays an hourly fee of \$110 for all legal services on an as-needed basis. No additional out-of-pocket expenses have been billed to the district. This cost is comparable to that paid by neighboring districts (see chart below).

The superintendent acts as the contact person in any request for legal counsel. Counsel does not attend board meetings as a matter of course.

The Sea Girt Board of Education generally requests legal services for assistance with contract interpretation and matters of potential litigation. Additional services were required in FY' 97 for representation of board interests in a bond referendum. A review of legal expenses in Sea Girt to comparison districts, shows that Sea Girt contracted for legal services at a competitive hourly rate:

Legal Expenses

	Avon	Brielle	Lavalette	Sea Girt	Spring Lake
Hourly Rate					
1995-1996	\$175	\$100	\$80	\$110	\$100
1996-1997	\$175	\$100/\$115*	\$80	\$110	\$100
Retainer Fee					
1995-1996	\$1,200	-0-	-0-	-0-	\$5,408
1996-1997	\$1,200	-0-	-0-	-0-	\$5,408
Total Legal Fees					
1995-1996	\$1,200	\$10,171	\$3,500	\$6,649	\$9,529
1996-1997	\$7,042	\$35,440	\$1,050	\$3,024	\$9,034

*\$115 hourly litigation fee charged by second attorney

Recommendation:

LGBR recommends that the Sea Girt Board of Education enter into a formal contract specifying the duties and responsibilities of board counsel in providing legal services to the district.

The review team examined copies of the invoices submitted by the district's attorneys and the resulting purchase orders associated with the 1996-1997 legal fees. Invoices are submitted at the close of the month in which services are performed. All invoices included: the date of each service rendered; an identification and explanation of each service performed; and the corresponding number of work hours dedicated to each item. The board secretary includes these invoices on the monthly bill list at the next regularly scheduled board meeting. Timely payment was made on all invoices examined.

Board of Education Policies

The LGBR team reviewed the board of education policy manual. It has been recently computer scanned yielding a uniform and attractive appearance, however, LGBR noticed that some of the policies were more than five years old.

Recommendation:

Board of education policies older than 5 years should be reviewed in order to determine their effectiveness. Changes should be made as warranted. If newer policies have proven ineffective it would be appropriate to revise them as well.

INSTRUCTION

The Sea Girt School District maintains one building, the Sea Girt Elementary School, which houses grades K through 8 and the district administrative offices. The building, which was constructed in 1970, opened with 300 students. In the 1997-1998 school year, 187 students are enrolled in classes from kindergarten through eighth grade.

The district has recently experienced increased enrollment as demonstrated in the following chart:

Year	Enrollment
1994-1995	151
1995-1996	155
1996-1997	173
1997-1998	187

Within the Sea Girt Elementary School, grades K through five are self-contained. Grades six through eight, known as the "pre-high school" grades, follow a departmentalized schedule over an eight-period day.

Curriculum

Five hours and 25 minutes of each school day are devoted to instructional time; the state average is five hours and 28 minutes. Sea Girt students consistently score above average on state testing in reading, mathematics and writing. The broad academic requirements of the State Department of Education's Core Curriculum Content Standards and the Commissioner of Education's recent call for lengthening the school day, should give the district reason to consider adding to the instructional time of the school day.

Sending and Receiving Relationship

Sea Girt has a sending relationship with Manasquan High School. Currently 80% to 90% of Sea Girt's eighth grade graduating class enters Manasquan High School. This figure has risen in recent years. Curriculum and instruction form a strong link in the articulation between the high school and its six sending districts.

The curricula of all elementary schools that regularly send students to Manasquan High School are coordinated across the elementary grades from kindergarten through eighth grade. Each year the Manasquan School District organizes a series of monthly meetings with all sending districts for the purpose of addressing matters of mutual concern. These meetings focus on the coordination of preparatory curriculum among the several schools. Sea Girt sends three "team

leader" teachers to each of the monthly meetings. During the 1996-1997 school year, joint curriculum planning focused on science, nursing services, health and physical education. In school year 1997-1998, the focus is on social studies, art and music. After meeting at Manasquan, the teacher representatives from each school report back to their administration and faculty. In this way, each district has input into constructing a shared curriculum that all agree contains the basic requirements of each subject area while incorporating the Department of Education's Core Curriculum Content Standards. Each district may add to the curriculum documents, taking into account its student needs and district emphases, but it is agreed that no district will unilaterally subtract from it. The cost to Sea Girt for updating and coordinating its full elementary school curriculum is the price of one substitute teacher per meeting for each of its three "team leaders."

Per Pupil Expenditures

Elementary School

Per-pupil costs in Sea Girt and its neighboring districts are consistently above state average. Contributing factors to higher per-pupil costs in Sea Girt include consistently higher than state-average costs for operation and maintenance of plant and faculty salaries. An analysis of plant operation and maintenance costs appears in the Facility and Operations section of this report. Faculty salaries are reviewed as a part of the Personnel section.

High School

In school year 1996-1997 the Manasquan School District charged tuition of \$8,100 per student for attendance at Manasquan High School. This compares to the 1996-1997 state average high school total cost per pupil of \$8,850. Sea Girt sent 80 students to the high school that year for a total cost of \$648,000. Sea Girt was billed on a monthly basis and all payments were made in a timely manner.

Staff Development

District staff development costs in the 1997-1998 school year totaled approximately \$1,500. One hundred percent of district staff received in-house staff development. Ninety percent of staff also participated in some form of out-of-district staff development initiatives. The district makes use of grants and shared services, and participates in a regional math and science consortium to offset the cost of staff development programs. Grant moneys have also been invested in student and teacher supplies to facilitate and enhance implementation of the teacher training received. The State Education Department website has information about professional development programs through the county Educational Technology Center, which are available at minimal cost or are free.

Revenues

Sea Girt receives significantly less money in state aid than the state average, and less than any of the neighboring comparison districts.

Revenue Sources*

	<u>Avon</u>	<u>Brielle</u>	<u>Lavalette</u>	<u>Spring Lake</u>	<u>Sea Girt</u>	<u>State Average</u>
LOCAL						
FY' 96-97	72%	89%	90%	86%	89%	69%
FY' 97-87	72%	89%	90%	81%	96%	68%
STATE						
FY' 96-97	7%	6%	6%	9%	4%	24%
FY' 97-87	6%	7%	7%	10%	3%	26%

*Original budget figures

Source: New Jersey School Report Cards 1996-1997

Students and faculty at Sea Girt enjoyed a lower than average student/faculty ratio: 10.9:1 in 1996-1997, as compared to the state average of 14.2:1. The student/administrator ratio, numbers which will vary significantly by the addition of a single administrator in a small district, have nevertheless been held to 144:1 in 1996-1997, less than half the state average of 329:1

Commendation:

The district is commended for its participation in the annual shared elementary school curriculum development project conducted by the Manasquan School District. This annual project provides Sea Girt with a cost-effective means of ensuring broad professional input into comprehensive student instruction.

COMPARISON MEASUREMENTS

Testing

The 8th Grade Early Warning Test (EWT) comprises an integral part of the New Jersey State Department of Education's state-wide testing scheme. The EWT helps identify students who may require instructional intervention in the areas of reading, mathematics and writing. Sea Girt elementary students consistently score significantly above both the state average and their District Factor Group on the EWT. The District Factor Group (DFG) is a relative indicator of the socioeconomic status of the citizens who reside in a district. A district's DFG results from an analysis of information, that the state Department of Education receives from the United States Bureau of the Census. The Sea Girt School District falls into DFG "I", the seventh of eight identified groupings, with DFG "J" being the highest ranking. Recent 8th Grade Early Warning results follow:

	MATHEMATICS			WRITING			READING		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1994-1995									
Sea Girt	85.7%	14.3%		52.4%	47.6%		100%		
DFG	74.5%	24.5%	1.0%	63.5%	32.7%	3.8%	87.6%	10.5%	1.9%
State Average	54.0%	36.8%	9.2%	38.6%	42.0%	19.5%	67.8%	20.6%	11.5%
1995-1996									
Sea Girt	81.8%	18.2%		54.5%	45.5%		63.6%	36.4%	
DFG	75.3%	23.3%	1.4%	64.1%	32.1%	3.9%	73.4%	21.9%	4.7%
State Average	55.2%	36.7%	8.1%	40.1%	42.3%	17.7%	55.1%	29.2%	15.7%
1996-1997									
Sea Girt	87.5%	12.5%		81.3%	18.8%		100%		
DFG	76.0%	23.0%	1.0%	68.6%	28.3%	3.1%	79.7%	16.7%	3.6%
State Average	55.0%	37.0%	7.9%	44.1%	40.3%	15.6%	59.0%	25.8%	15.2%

The number of Sea Girt students taking the Early Warning Test in each year referenced was:

1994-1995 - 21

1995-1996 - 14

1996-1997 - 18

Figures indicate percents of students scoring in Level 1 ("competence"), Level 2 ("minimal competence"), and Level 3 ("not proficient") on the Early Warning Test.

Attendance

Sea Girt's student and faculty attendance rates were consistently above the state average in each of the three years reviewed:

	Faculty	Students
	<u>Sea Girt/State Average</u>	<u>Sea Girt/State Average</u>
1994-1995	96.4%/93.9%	95.0%/94.5%
1995-1996	98.1%/96.0%	95.1%/94.5%
1996-1997	97.8%/96.3%	95.0%/94.7%

Transiency

New Jersey school districts report to the State Department of Education concerning the percentage of students who entered or left school during the school year. This information appears on the School Report Card as the student mobility rate. With a student mobility rate of 2.3% in 1996-1997, Sea Girt is well below the state average of 16.0%.

Violence

Violence in the school has not been a problem at Sea Girt. The district superintendent's most recent annual report to the county superintendent listed no reportable incidences of violence.

Disciplinary Policies

Sea Girt Board of Education policies addressing discipline offer insight into the district's educational philosophy. The care and well being of the children is foremost in each policy statement and assessment of root causes of misbehavior is repeatedly called for.

Each such policy initially delineates the reason for establishing the policy and clearly sets forth the goals and objectives of the policy.

The Board has implemented a Student Grievance Policy. The policy provides a forum for the timely discussion and equitable resolution of student problems and concerns. The grievance involves parents and teachers at the initial level and provides students and parents with the right to two distinct levels of appeal within the district.

Commendation:

The district is commended for the educational nature of the student policies it has adopted.

III. SHARED SERVICES

Current Partnerships

The opportunities and rewards of joint purchasing can be significant. These are limited only by the time and effort devoted to developing more modern and effective ways to reduce costs.

The Sea Girt School has the following shared arrangements in place:

- The district recently joined with 26 other school districts to purchase toll and long distance call service through the Monmouth-Ocean Educational Services Commission (MOESC). The MOESC has entered into an agreement with the Teleport Communications Group (TCG) for the provision of these services from April 1, 1998 to March 31, 1999. To date savings have not been predicted. Based on FY '97 expenses, a 10% cost reduction would result in \$500 annual savings.
- The Sea Girt municipal government performs the following services for the school district free of charge, the savings that are noted are based solely on conservative estimates: trash removal (\$2,500); snow removal (\$1,500) and; and tree trimming (\$200). The aggregate annual savings are \$4,200 based on these estimates. The municipality also provides a variety of services such as use of town equipment to spread baseball infield mix, municipal truck used to move tables, transport Arbor Day tree, etc., blacktop repair, etc.
- The purchase of Child Study Team services one-half day per week from the Manasquan School District.
- Use of scaffolding from the Manasquan District, delivered and picked up without charge.
- Staff and faculty training, with special emphasis on technology through the Manasquan Schools.
- Right-To-Know training obtained through the Monmouth-Ocean Educational Services Commission.
- Speech services contracted through the Brielle School District.

Potential Opportunities

The LGBR team cannot predict the exact fiscal value of joint partnerships to Sea Girt School District or to its potential partners. However, based on our experience, a conservative estimate would be at least 10% annual savings, of the current cost of a good or service. This assumes that the commodity: is bid competitively; that unusually high or uncommon discounts are not already being taken; artificial discounts are not being quoted; and that the good or service is not so specialized as to limit the playing field to one vendor.

We understand that all goods and services cannot be realistically shared. Nor can all shared service arrangements result in significant savings. Nonetheless, there are numerous opportunities and possibilities for local governments to reduce their costs. At the same time, an equal if not better product or service, may result from the cooperative effort. The partnering groups must be willing to work together for a common purpose. This goal must be established and maintained for the initiative to survive and succeed. As long as a practical, complete, and well planned partnering approach is taken, the initiative will likely succeed.

Recommendation:

The Department of the Treasury's Office of Distribution and Support Services offers a variety of office supplies and printing and stationery products to local entities at 30% to 50% below state contract. We encourage the district to review its purchasing needs and costs and compare these to those offered by the State Distribution Center.

The district should also take advantage of the services provided by the Monmouth-Ocean Educational Services Commission (MOESC). This consortium of school districts offers its members the advantage of reduced product and service costs as a result of quantity purchasing.

The following represent products and services that the school district should consider reviewing in terms of partnering with neighboring local entities, both school and municipality.

- **General office supply needs - - if an additional 30% discount was taken based on the FY '97 expenditures, the district would save approximately \$2,700.**
- **Building supplies--if an additional 30% discount was taken based on the FY '97 expenditures, the district would save approximately \$6,300.**
- **Copier maintenance agreements- -review with potential partners to determine variations in service levels and relative costs. Even a cursory evaluation will provide useful information which will promote a meaningful discussion.**
- **Utilities- -telephone, natural gas, and electric providers offer discounts, promotions, and incentive programs to commercial customers.**
- **Insurance (property and casualty, liability, life, health, workers compensation, and accident)- -local entities are subject to considerable liability resulting from insurance claims.**

Wherever possible, the potential savings and/or revenue enhancements are provided in our report. However, in some instances sufficient information is unavailable. In theory, a shared service arrangement may seem to be the best alternative to promote cost containment. That is not always the case. The best way to prove the worthiness of a cooperative partnership is to test and monitor the effectiveness of the arrangement and to determine the relative value of the tangible as well as the intangible benefits.

IV. STATUTORY AND REGULATORY REFORM

Finance - Budget Reporting System

Recommendation:

Develop a single, uniform statewide-computerized accounting system that would integrate federal, state, and local auditing requirements. The system would meet all GAAP requirements while standardizing accounting practices. It would enable the State Department of Education to compile data, monitor district operations, and make comparisons. The system would create efficiencies in operations by eliminating duplication of data input. A unified accounting system would significantly reduce operational costs for the State Department of Education as well as the 593 operating school districts. The state also has 23 non-operating districts but these would not be affected by this system.

Local districts would use the statewide accounting software components to develop district data for budget, revenues, and expenditures. The data could be uploaded to the State Department of Education directly from the uniform software package. Likewise, the Department of Education could import data into accounting modules designed to prepare reports that meet state and federal requirements.

The Sea Girt school administration suggests that the Department of Education contract with a software developer to write one uniform accounting system tailored to meet federal, state, local district and auditing requirements. State contracted vendors as well as non-contracted vendors would be given the opportunity to bid on the project, but only one system would be used. The system overhead would be borne by the school districts in terms of a user fee which would be based on a sliding scale determined by district size.

Ultimately, the system would significantly reduce the frustration and workload resulting from the present data gathering techniques.

FOOTNOTES

1. Ernest C. Reock, Jr., A Plan for School District Consolidation in New Jersey, Occasional Paper #4, Center For Government Studies, Rutgers, the State University of New Jersey, July, 1995. p. 10.
2. Public Affairs Institute. Reducing the Number of New Jersey School Districts: Regionalization and Consolidation Options. Public Affairs Research Institute of New Jersey. April, 1996. Pp. 27-34.
3. Recommendations of the Regionalization Consortium and the Commission on Business Efficiency of the Public Schools, Finding Opportunities for Improvement: Ideas on Regionalization and Shared Services. December, 1995.
4. The Property Tax Commission, Report of Recommendations to Governor Christine Todd Whitman. September, 1998.

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